FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,959 Friday June 20 1986 D 8523 B

Spanish socialists hold the centre stage, Page 18

World news | Business summary

West to raise aid to Sri Lanka

Western countries promised $703m in new aid for Sri Lanka, a 46 per cent increase from last year.

The Colombo Government had feared stagnation or reduction in the level of aid because of the fighting between the Sinhalese majority and Tamil minority. Japan, West Germany, Britain and France all increased their pledges, however, with only the US cutting its promised contribution.

Finance and Planning Minister Ronnie de Mel said the ethnic conflict had affected rice production in some northern and eastern parts of the country as well as fish production. **Donors increase Indonesia aid, Page 3**

Punjab land row

Fights broke out in Punjab's state assembly over 70,000 acres of land which were the key to Prime Minister Rajiv Gandhi's plans to restore peace in the strife-torn north Indian state.

Subsidies to be cut

The French Government decided to cut subsidies to the country's ailing shipyards, Industry Ministry officials said.

Pazienza extradited

Italian businessman Francesco Pazienza who played an important role in the Banco Ambrosiano scandal, was extradited from the US to Italy.

Beirut battle

Heavy fighting erupted at Beirut's embattled Palestinian refugee camps despite intensive Syrian efforts to end a month of bloodshed that has claimed at least 143 lives.

Gas strike move

The Portuguese Government issued a compulsory return-to-work order in an attempt to end a four-day strike by state gas workers in Lisbon which has hit supplies to factories, shops and homes. Page 3

Car swindle

Police warned West German car dealers to be wary of offers from Italy of cheap Rolls-Royce, Ferrari and Porsche cars. Officials said dealers were tricked out of DM 2.7m ($1.2m) by paying deposits on cars that did not exist.

Athens bomb blast

A bomb exploded in Italian Chamber of Commerce offices in central Athens and an unexploded bomb was found at the Italian Consulate. A passer-by was injured by falling glass.

Successor named

President Habib Bourguiba of Tunisia confirmed Mohamed Mzali as his successor, ending speculation about his Prime Minister's political future a ter a government shake-up earlier his year. **Page 4**

Opec policy shift

Opec will shift its emphasis in the second half of this year to driving up prices from its earlier strategy of attempting to secure a "fair market share," Indonesian Oil Minister Subroto said.

Nurses walk out

Israeli nurses walked out of hospitals throughout the country in a three-hour strike over working conditions and pay.

Locust plague

Botswana has been hit by a plague of brown locusts that will take years to control, the UN Food and Agriculture Organisation said. Swarms were also threatening crops in other African countries south of the Sahara.

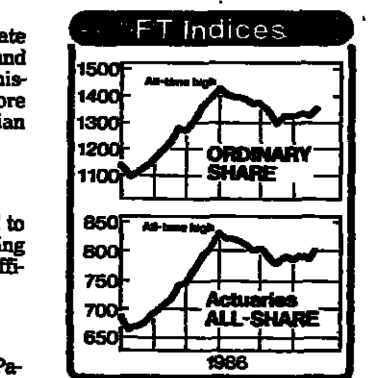
Argentina in credit deal with IMF

ARGENTINA is to make important economic adjustments in return for the International Monetary Fund's agreement to release $275m of standby credit. **Page 6**

DOLLAR fell in London to DM 2.232 (DM 2.2405); SFr 1.839 (SFr 1.85); FFr 7.125 (FFr 7.145) and Y166.85 (Y167.60). On Bank of England figures the dollar's index fell from 116.1 to 115.9. **Page 39**

STERLING gained in London to close at $1.5040 ($1.5005). It fell to DM 3.3575 (DM 3.3625); SFr 2.765 (SFr 2.775); FFr 10.715 (FFr 10.72) and Y251.0 (Y251.5). **Page 39**

GOLD rose $0.75 to $340 on the London bullion market. It also rose in Zurich to $339.2 from $339.0. **Page 38**



LONDON equities were aided by industrial data, exchange-rate factors and institutional buying. The FT Ordinary index firmed 9.9 to 1,350.0. Gilts retreated. **Page 46**

WALL STREET: By 3pm, the Dow Jones industrial average was up 5.10 at 1,874.04. **Page 46**

TOKYO: A late rally boosted the Nikkei market average to a new peak of 17,277.59 with a gain of 100.52. **Page 46**

EGYPT cancelled as too expensive all bids for the largest outstanding contract on a $3.8bn Cairo sewage system.

EEC: internal trade barriers should not be broken down without a simultaneous negotiation of equal access to US and Japanese information technology markets, warned chairman of Britain's ICL. **Page 3**

COMPANIES

German Esso profits down

EXXON, leading US oil group, said profits at its West German subsidiary, Esso AG, fell by almost half to DM 190m ($85m) because of stock write-downs and closure costs. **Page 21**

SOCIÉTÉ Générale, third largest French bank, is likely to remain in state hands for several years because of the need to bolster its capital resources to international standards, its chairman said. **Page 21**

SEA CONTAINERS, Bermuda-based container shipping group which took over British Rail's Sealink ferries in 1984, said it expected to report a loss in its second quarter and has delayed plans to take over its troubled Seaco Affiliate Leisure group. **Page 21**

BRITISH TELECOM, in its first full year as a private company, increased pre-tax profits by 19 per cent to £1.81bn ($2.7bn) on sales up 10 per cent at £8.39bn. **Page 27; Lex, Page 20**

ISRAEL Discount Bank chairman and chief shareholder Raphael Recanati defied a government-appointed commission's call for his resignation or dismissal. The Beijsky Commission has been investigating the 1983 bank shares scandal.

WEST German plans to create a new regional bank received a setback when one of the four prospective partners, Stuttgarter Landesgirokasse, pulled out. **Page 21**

Reagan welcomes Soviet arms plan as 'turning point'

BY STEWART FLEMING IN WASHINGTON

PRESIDENT Ronald Reagan yesterday welcomed the most recent Soviet arms control proposals saying that they "could represent a turning point in the effort to make ours a safer and more peaceful world."

In what some observers saw as, at least so far as the rhetoric is concerned, the most positive White House response to a Soviet arms control initiative in recent years, Mr Reagan said that "it appears that the Soviets have begun to make a serious effort" to reduce nuclear weapons.

Mr Reagan's remarks came in a speech before a high school graduation ceremony in Glassboro, New Jersey, the site of a US-Soviet summit 19 years ago between President Lyndon Johnson and Soviet Prime Minister Alexei Kosygin.

It was the first official public reaction to the new Soviet proposals which were aired first at the Geneva arms control talks a week ago. Some of the outlines of the proposals were made public by Soviet arms negotiators last Friday.

Mr Mikhail Gorbachev, the Soviet leader, said that Moscow would be prepared to accept the Strategic Defence Initiative (Star Wars) project so long as it remained at the laboratory stage.

At the same time the Soviet Union wanted an agreement on non-withdrawal by the US and the Soviet Union from the 1972 Anti-Ballistic Missile treaty for at least 15 years.

Mr Gorbachev said Moscow also wanted strategic offensive arms on both sides restricted to the same levels, with the question of medium-range missiles, including ground-based long range cruise missiles being resolved separately.

Both Mr Reagan's statement yesterday, and the quite lengthy delay before the US reacted to the Soviet move, reflect the Administration's internal divisions about the implications of the Soviet proposals, not least because of their complexity

Mr Reagan was careful yesterday to stress that "we cannot accept these particular proposals without change." He was equally careful to avoid giving even the slightest indication of what precisely in the Soviet proposals his Administration finds encouraging.

Instead Mr Reagan said more generally, "In recent weeks there have been fresh developments. The Soviets have made suggestions on a range of issues, from nuclear power plan safety to convention force reductions in Europe. Perhaps most important the Soviet negotiators at Geneva have placed on the table new proposals to reduce nuclear weapons."

Contrasting these developments with earlier Soviet reactions to US proposals which he described as "disappointing in a number of ways," Mr Reagan said "it appears that the Soviets have begun to make a serious effort ... We believe that possibly an atmosphere does indeed exist that will allow for serious discussion."

Several factors appear to explain the conciliatory tone of Mr Reagan's remarks, in which he avoided the usual rhetorical barbs he reserves for Moscow by telling his audience: "My own views upon the character of the regime are well known."

The division within the administration was illustrated earlier this week when Mr Caspar Weinberger, the Defence Secretary, made clear in an off-the-cuff remark that he saw the Soviet proposal as aimed in part at undermining SDI.

Other officials, however, argued that the Soviet proposals did indeed show signs of flexibility. The White House decided that the US needed to adopt a more conciliatory stance on the world stage after the sharp criticism the Administration received both in Congress and from its allies abroad as a result of the decision to abandon the Salt 2 arms limitation agreement.

Black union leader goes underground

BY ANTHONY ROBINSON AND PATTI WALDMEIR IN JOHANNESBURG

ONE of South Africa's leading black trade unionists, Mr Cyril Ramaphosa of the National Union of Mineworkers (NUM) – presently in the middle of wage negotiations with the country's Chamber of Mines – has gone underground in an apparent attempt to avoid arrest under the emergency laws imposed last week.

News of his move came as leading white businessmen, concerned by the arrests of trade union officials under the emergency laws, yesterday sought a meeting with Mr Louis Le Grange, Minister of Law and Order.

Protests by black workers over the detentions continued, with several thousand employees of three leading chair stores going on strike or staging sit-ins. Police in the eastern Cape province imposed a curfew affecting dozens of black townships around Port Elizabeth and other industrial centres, requiring residents to remain indoors between 9pm and 4am.

Speculation about Mr Ramaphosa's whereabouts followed his failure to attend a meeting between the NUM and the Chamber of Mines which took place on Wednesday.

The 230,000-strong union has claimed a 45 per cent, across the board wage increase while the Chamber is offering between 12 and 17 per cent.

In Pretoria, the Bureau for Information, only official source of news on the state of emergency, said that the number and seriousness of violent incidents had decreased since emergency powers were imposed a week ago. This information cannot be independently confirmed because of press restrictions imposed along with the state of emergency.

Mr Dave Steward, the bureau's director, continued to refuse to give any information relating to the number and names of people detained under the emergency laws. But in Johannesburg the Detainees Parents' Support Committee which has been monitoring the situation, said it had the names of 1,032 people held and estimated that some 3,000 could be in detention.

In a statement last night, Mr Pik Botha, the South African Foreign Minister, condemned Wednesday's vote in the US House of Representatives for total trade sanctions. The House "does not give a fig for the black communities of South Africa," he said, warning that millions of blacks would lose their jobs if such an embargo were imposed.

In Washington, the White House said it had grave misgivings about

Continued on Page 20

Details and analysis, Page 5; US companies under pressure, Page 6; Senior Tories meet Thatcher, Page 11

The City lends an ear to Labour's policies

By Michael Cassell, Political Correspondent, in London

THE SIGHT of Mr Roy Hattersley leaving the Bank of England must have ruined the lunch of brokers and bankers making their way back along Threadneedle Street from one of the numerous wine bars in the City, London's financial district.

Mr Hattersley, deputy leader of the opposition Labour Party and shadow Chancellor of the Exchequer, is not one of the Square Mile's most popular pin-ups.

Last week, however, he was royally entertained to lunch by the governor and directors of Britain's central bank.

The occasion was a rare one. Indeed, Mr Hattersley's presence had never before been requested in the Bank's gracious board dining room. The invitation provided further impressive evidence that the City is, with varying degrees of enthusiasm, coming to terms with the possibility that Mr Hattersley just might be the next Chancellor. If he does, he will undoubtedly be looking for much more than a free lunch from a group of people who eye him with a mutual suspicion.

In recent months, as the Labour Party's rising fortunes have been reflected in the opinion polls, the push to breach the ideological gulf between Labour, the City and large parts of British industry has been given an urgency and momentum which has not been seen for many years.

Mr Hattersley's diary, along with those of colleagues like Mr John Smith, Labour's energetic and increasingly impressive trade and industry spokesman, has become crammed with appointments taking him into the heartland of traditionally unfriendly territory.

Mr Hattersley's hosts at recent and imminent lunches, speeches and informal meetings include Midland Bank, Schroder Wagg, the Italian International Bank, the Prudential insurance and investment group, the British Venture Capital Association and major corporate names such as BAT and Imperial Chemical Industries.

Mr Brian Gould, a leading member of Mr Hattersley's economic team, has become one of the best known and most respected Labour MPs in the City through his dogged efforts to establish an effective regulatory system for the post-Big Bang era.

While Mr Gould, who has won the confidence of rank-and-file Conservative MPs during the committee stages of the Financial Services Bill, has been lunching with the Stock Exchange Council, Mr

Continued on Page 20

EEC ministers abandon air fares policy talks

BY QUENTIN PEEL IN LUXEMBOURG

EEC TRANSPORT ministers broke up in disarray and acrimony yesterday after two days of abortive negotiations and a failure even to consider the central issue of liberalising air transport.

The European Commission must now decide whether to carry out its threat of starting competition proceedings against the major national airlines of the Community for operating price-fixing cartels on internal EEC routes.

The 12 transport ministers – condemned only last year by the European Court for their failure to agree a common transport policy – yesterday left all the major issues on their table unresolved, including shipping policy and road haulage, as well as civil aviation.

Mrs Nelie Smit-Kroes, the Dutch Transport Minister currently in the chair, described it as "a black day for transport policy," after she abruptly suspended the session.

Mr Stanley Clinton Davis, the European Commissioner responsible for transport, said the decision to abandon the meeting without discussing air fares was "deeply regrettable."

The transport ministers were facing a virtual ultimatum by the Commission: to make substantial progress towards agreeing new rules for the liberalisation of air transport, or see the Commission use its own legal powers to enforce more open competition on their airlines.

They decided, however, simply to postpone their discussion for 10 days until June 30 – the last day of the Dutch presidency – leaving the Commission with the tough decision of whether or not to start proceedings.

Mrs Smit-Kroes, expressing her own irritation that the Commission had produced its latest aviation proposals only on Wednesday, insisted that the meeting was simply suspended, and no decision should be taken until the end of the month.

The plans on the table would provide for much more flexibility in fixing air fares, while setting limits on the extent of deregulation. Similarly, capacity-sharing agreements for specific routes would be banned, except that national airlines could be guaranteed at least 25 per cent share of seats on a particular route.

The Commission has already drafted legal letters – the first step in the competition proceedings – charging virtually all the EEC national airlines with fare-fixing, capacity-sharing deals and pooling revenues. If the airlines do not respond, they could face a "reasoned decision" by the Commission, which would open the way for disgruntled passengers or organisations to sue them in the courts.

A three-man group of Commissioners – Mr Clinton Davis, Mr Peter Sutherland, responsible for competition, and Mr Jaques Delors, the President – has been empowered to decide when they shall be sent. They could meet this weekend.

A majority of member states still

Continued on Page 20

BA seeks to cut costs, Page 11

GE and Fanuc link for robotics venture

BY PAUL TAYLOR IN NEW YORK

GENERAL ELECTRIC, the US electrical and electronic equipment manufacturer, and Fanuc, the Japanese machine tool and robotics group, plan to launch a worldwide joint-venture company to compete in the rapidly growing factory-automation equipment and systems industry.

The move represents a realignment of the factory automation business, bringing together two long-time arch-rivals. While Fanuc has come to dominate the world market for industrial robots and machine-tool controls, GE has struggled for years to establish its presence in the factory automation business against other competitors, including Gould, Siemens and Honeywell.

Yesterday, the two companies announced plans for a new 50-50 joint-venture company, GE Fanuc Automation, with an initial capitalisation of $200m. It will be based in Charlottesville, Virginia, and will initially employ 1,600 people in the US, Europe and Japan.

Mr John Welch, chairman and chief executive of GE, and Dr Seiumon Inaba, president and chief executive of Fanuc, signed the initial agreement yesterday.

Mr Marion Richardson, vice president of GE's factory automation products division, and Dr Inaba said the venture was designed to improve the competitiveness of both companies in world markets. Initial products will include automation system design and implementation, software, manufacturing, and a wide variety of electronic industrial control equipment rang-

Continued on Page 20

Dart & Kraft plans break-up

BY WILLIAM HALL IN NEW YORK

DART & KRAFT, the US conglomerate whose products range from Kraft cheese to Tupperware containers, has announced plans to dismantle a six-year-old merger of the two companies, whose combined sales are around $10bn a year.

The move is the latest and one of the most dramatic signs of the continuing restructuring now under way in corporate America at some of the country's biggest corporations. Mr John Richman, Dart & Kraft's chief executive, said that the move was "designed to continue our record of increasing the value of our shareholders' investment over the long term."

"When Kraft and Dart Industries merged in 1980, the time was right," said Mr Richman, who noted that shareholders had done very well out of the merger. A $100 investment in the group at the time of the merger would now be worth $534m (including dividends reinvested), more than double the performance of the Standard & Poor's index over the same period.

Mr Richman, who is credited with masterminding the 1980 merger, said yesterday that the time was again right to create two separate companies that could be evaluated on their own solid merits and prospects.

He said that the two companies were developing two distinct sets of financial and investment characteristics with the result that "neither group can be appropriately recognised for its fine progress." He said that he believed that the move would "bring greater return to shareholders over time."

The group's board of directors yesterday authorised management to proceed with a plan to separate Dart & Kraft into two companies through a stock distribution. One company, which will be called Kraft Inc, will consist of Kraft, the consumer foods company which instigated the 1980 merger with the smaller Dart Industries, and Duracell, the manufacturer of the world's leading brand of alkaline batteries.

The new company will have sales of around $8bn and employ some 50,000 of the Dart & Kraft's exisiting 73,000 workforce workwide.

The other company, which has not yet been named, will include the group's Tupperware container operations and the remainder of Dart & Kraft's businesses. It will have combined sales of around $2bn a year and assets of around $1.3bn, and will be headed by Mr Warren Batts, Dart & Kraft's president.

Mr Richman will be chief executive of Kraft Inc, and Mr Michael Miles will be president and chief operating officer.

Dart & Kraft shares jumped by $4 to $81⅛ in early New York trading, which gives the combined company a stock market value of $8.8bn.

CONTENTS

EUROPEAN NEWS

Bundesbank holds key interest rates

By Jonathan Carr in Frankfurt

THE West German Bundesbank has again decided to keep its key interest rates stable. It is now widely held it is unlikely to change them in the near future—not least because money supply is growing faster than planned.

Mr Karl Otto Poehl, the Bundesbank president, said yesterday that central bank money stock was still expanding faster than the target set for it last year, although the situation was now a little better than it had been a few weeks ago.

Speaking after a meeting of the Bundesbank's policy-making council in Stuttgart, Mr Poehl also noted that monetary targets were being exceeded in virtually all industrial countries.

He said he did not wish to dramatise the situation, but stressed that the central council would be discussing the matter in detail at its next meeting in a fortnight's time.

Mr Poehl's remarks were widely interpreted as indicating that the Bundesbank at least planned no early relaxation in its monetary policy, and might even feel obliged to tighten it.

At its meeting yesterday the *council left the discount rate* unchanged at 3.5 per cent and the Lombard rate at 5.5 per cent. The former rate has not been altered since March and the latter not since August last year.

With West Germany's cost of living now running lower than a year ago, both the Bundesbank and the Bonn Government have come under some foreign pressure—notably from the US—to take new action to boost the economy.

But the Bundesbank underlines that the "minus rate" of inflation at present is due to cheaper imports, caused above all by the weaker dollar and falling oil prices. The "home-made" element of inflation, once the external factor has been excluded, is said to be at least 2 per cent.

Spanish banker

In the survey of Spainsh Banking and Finance, published on June 16, a photograph caption stated erroneously that Mr Jose Ramon Alvarez Rendueles, former governor of the Bank of Spain, has been appointed vice chairman of Banco Central.

Kyprianou in bid to end deadlock over Cyprus settlement

BY ANDRIANA IERODIACONOU IN ATHENS

MR. SPYROS KYPRIANOU, the President of Cyprus, is to discuss ways of overcoming the deadlock reached in United Nations peace efforts for the divided Mediterranean island, when he arrives in Athens for consultations with the Greek Government next Monday.

One of the avenues to be explored, according to Cypriot Government officials, is that of lobbying for a settlement acceptable to the Greek Cypriot side in the European Community.

Dr Andreas Papandreou, the Greek Prime Minister, is to raise the issue of Cyprus at the EEC summit meeting at The Hague on June 26, while Mr Kyprianou is planning an official visit by the end of this month to Paris, where the Chirac Government is perceived to be more sympathetic to the Turkish side than their socialist predecessors.

The Cypriot President, officials say, may also make a fresh appeal for support from Britain. London, along with Washington, is currently throwing its weight behind UN efforts to achieve a federal settlement in Cyprus.

A key issue of concern for both the Greek and Cypriot Governments is the planned visit to the occupied *northern sector of Cyprus* in the first week of July by Mr Turgut Ozal, the Turkish Prime Minister.

Turkish troops have held more than one third of Cyprus territory since 1974 when they invaded following a Greek military coup on the island.

Apart from the symbolic significance of the Ozal visit, it has fuelled Greek-Cypriot anxieties over the possibility of international recognition for the cessionist "state" declared in the north of the island by Mr Rauf Denktash, leader of the Turkish-Cypriot community, in November 1983. So far, this has been recognised only by Ankara.

The visit also comes at a time when the Greek Cypriots are feeling pressured and isolated, and when their relations with Mr Javier Perez de Cuellar, the UN Secretary-General, are at a low ebb.

Athens still hopes to achieve trade target

BY OUR ATHENS CORRESPONDENT

GREECE'S balance of payments deficit reached $1.238bn in the first four months of 1986, against a target of $1.7bn for the whole year, Mr Costas Simitis, Economy Minister, said yesterday.

The Minister said that he was still confident the target could be met and that the Government was not contemplating any additional economic measures to supplement a stabilisation programme introduced last October. The programme included a compulsory import deposit scheme, a 15 per cent devaluation of the *drachma* and a virtual standstill in wages until the end of 1987.

Between January and April this year, non-oil imports rose by 8.5 per cent compared with the same period in 1985, from $2.401bn to $2.606bn. The cost of oil imports fell by 4.4 per cent, thanks to a $361m saving on Greece's oil import bill compared to last year.

Non-oil export earnings increased by 14.5 per cent compared to last year, from $1.029bn to $1.178bn. Overall export earnings fell by 1.3 per cent due to a reduction of $167m in revenue from oil exports. Greece's overall trade deficit between January and April fell by 6.4 per cent compared to last year, from $2.144bn to $2.006bn.

Invisible earnings showed an overall increase of 13.5 per cent, from $1.353bn to $1.535bn, mainly due to an increase in EEC receipts and earnings from tourism.

● The Greek Government has rejected an offer by visiting representatives of the International Federation of Airline Pilots Association (Ifalpa) to mediate in the seven-day strike by Olympic Airways pilots and engineers which has resulted in the jailing of seven strikers, the dismissal of 54 and the impounding of the properties of another 40.

Meanwhile, the management of Olympic Airways announced it had hired 30 US pilots and engineers to replace dismissed Greek personnel.

France, New Zealand accept UN mediation

By Paul Betts in Paris

THE French Government has agreed with New Zealand to ask Mr Javier Perez de Cuellar, the United Nations Secretary General, to act as mediator in their dispute over the Rainbow Warrior.

The two government's said in a joint statement *yesterday* that they were confident that the settlement which will be proposed by the UN Secretary General will be fair to both sides.

Relations between Paris and *Wellington* have seriously deteriorated since French secret service agents sank the Rainbow Warrior, the flagship of the Greenpeace ecological movement, in Auckland harbour last summer to stop it taking part in a protest against French nuclear tests in the Pacific.

Paris has been seeking the repatriation of its two agents imprisoned for 10 years while New Zealand has asked for compensation from the French *Government*. Both countries, however, have appeared increasingly anxious to settle their dispute.

The two government's said in their statement yesterday that they would put their respective cases to Mr Perez de Cuellar immediately and that they had agreed to accept the settlement eventually proposed by the UN Secretary General. For his part, Mr Perez de Cuellar said he was willing to act as mediator and to try to resolve the dispute "in a very near future."

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EUROPEAN NEWS

Computer chief tells EEC of information technology danger

BY TIM DICKSON IN BRUSSELS

A STRONG warning of the danger of removing internal EEC trade barriers without simultaneously negotiating equal access to the US and Japanese information technology markets was delivered in Brussels yesterday by Mr Peter Bonfield, chairman and managing director of Britain's only mainframe computer manufacturer, ICL.

Mr Bonfield was speaking after a visit to the European Commission with two European advisers—Loard Soames, a former EEC Commissioner, and Sir Michael Butler, the UK's former Permanent Representative to the EEC—at which the need for more extensive European co-operation in it was emphasised. In particular, Mr Bonfield renewed his company's plea for common international system standards to be set to enable fair competition.

Mr Bonfield emphasised that the impetus to open up the internal market is vital for Europe's future but he also insisted that European information technology (IT) companies "should be treated equally fairly in the US and Japan."

"Administrative and legal practices there which inhibit competition from European IT companies should be negotiated away in advance of opening up the internal market by 1992."

Such "reciprocity agreements" should deal, for example, with current American restrictions on the transfer of technology and the extension of administration rules beyond US national frontiers (the so-called extra-territoriality controls).

"Unless these imbalances are corrected, the ability of Europe to grow an industry capable of competing with non-European competitors, who already have significant investments in Europe, will be disadvantaged."

Mr Bonfield argued that co-operation between European companies must not be restricted to what he called the "pre-competitive research stage."

"ICL sees it as essential that co-operation be taken further and nearer to the market place."

Moscow 'will not match' US chemical arms move

BY WILLIAM DULLFORCE IN GENEVA

THE Soviet Union will not develop or manufacture binary chemical weapons in retaliation to the Reagan Administration's plans to produce such weapons in the US, Mr Victor Issraelyan, the Soviet chief delegate to the UN conference on disarmament, said yesterday.

But the US decision, supported last month by Nato defence ministers, was of the utmost seriousness, he added. It went counter to the summit agreement last November between President Reagan and Mr Mikhail Gorbachev; it would complicate and could "blow up" negotiations just when conditions appeared to be ripe for the conclusion of an international treaty banning chemical weapons.

Mr Issraelyan recalled that the decision to deploy US Pershing and cruise missiles in Europe had brought talks on a reduction in Intermediate Nuclear Forces to an end in 1983.

Binary weapons contain two chemicals which become lethal only when mixed. The Reagan Administration intends to start making them to replace ageing stocks produced before 1969 when the US halted chemical weapon production.

The Soviet Union has continued to make chemical weapons. Moscow would not reveal the size of its stocks or its facilities, Mr Issraelyan told a press conference yesterday. No other government had given such information and the obligation to disclose would arise only on conclusion of a treaty.

The Soviet delegate said he had had "businesslike" discussions on chemical weapons with Foreign Office officials in London on Tuesday but the two countries still differed over the verification provisions to be included in a treaty.

Matra in final stage of Star Wars deal

By David Marsh in Paris

MATRA, the French defence and electronics group, is in the final stages of negotiating a contract with the US Defence Department which would represent France's first direct involvement in President Reagan's "Star Wars" Strategic Defence Initiative.

The contract, expected to be signed in the autumn, centres on work to be undertaken by Matra on the systems architecture of a future space-based defence system.

Matra, 51 per cent owned by the French Government, has been negotiating for several months on participating in SDI research work.

US officials say it has generally shown a more aggressive spirit than other French companies interested in SDI participation such as the Thomson electronics group.

French companies were given an official go-ahead to bid for SDI work at the beginning of the year by Mr Paul Quilès, the Defence Minister in the Socialist Government. This position has been confirmed by Mr Andre Giraud, the new incumbent in the Right-wing administration which took power in March.

However, President François Mitterrand has signalled France's continuing opposition to the fundamental strategic aim of SDI.

Matra's prospective contract is for only a relatively small amount, but none the less is expected to have symbolic importance in preparing the way for further deals.

French Government Ministers, along with senior officials in the aerospace and defence industry, say that France has no need to follow Britain and West Germany in signing bilateral SDI accords with the US government.

Fishing feud talks

The European Commission said that French and Spanish experts would begin talks on Monday aimed at solving a bitter fishing feud and Spanish fishermen resumed protests yesterday by blocking parts of the Franco-Spanish border, Reuter reports from Brussels.

Strikers ordered to work

THE PORTUGUESE Government yesterday ordered striking gas workers in Lisbon back to work.

To avert safety hazards resulting from a strike that has forced factory closures and deprived 600,000 consumers of domestic gas supplies since Monday, Peter Wise reports from Lisbon.

The centre-right Government issued a civil requisition order requiring 150 maintenance workers of the state-owned gas and petrochemicals companies to return to work because illicit use of gas during the strike threatened to produce an explosive mixture of gas and air in the Lisbon gas system.

Workers had earlier agreed to take the necessary measures to avert any threat to safety.

The 730 striking workers have said they will stay out for two weeks in support of a 20.5 per cent pay claim.

More space shots this year predicts Ariane president

THE EUROPEAN Ariane satellite launch programme should be back on course by the end of this year after two recent aborted lift-offs, Arianespace president Mr Frederic d'Allest, Arianespace president, said yesterday, Reuter reports from Bonn.

Mr d'Allest told a news conference in Bonn that a commission of inquiry into the failed missions would report at the end of this month.

West Germany is the second-biggest partner in Arianespace after France.

"It will depend on the findings of the inquiry but we should start sending up rockets again by the end of this year," he said.

On May 30, an Ariane-2 rocket carrying a telecommunications satellite was blown up in mid-flight after its third-stage motor failed to ignite.

The failure followed two successful missions this year in the wake of the US Challenger shuttle disaster. But last September technicians had to destroy an Ariane-3 rocket with two satellites on board barely five minutes after blast-off because of a similar third-stage failure.

"We are determined to identify and eliminate the problem, and we are optimistic that the programme will go from strength to strength," Mr d'Allest said.

The next Ariane launch from the European space centre at Kourou, French Guiana – the 19th in the series – had been scheduled for the end of July and was to take up a television satellite ordered by the Technology Ministry in Bonn.

Arianespace has come under strong pressure from satellite operators to expand its mission timetable since the loss of the US Challenger shuttle and its seven astronauts in January and two disastrous launches of unmanned US Titan and Delta rockets.

It has 33 satellites worth Ffr 10bn ($1.4bn) on its order books.

Mr d'Allest also said France was keen to develop the Hermes European mini-shuttle, which would carry astronauts into space after blasting off on board an advanced Ariane-5 rocket. He denied that the technology for it was already outdated.

Britain advocates, as an alternative to Hermes, a revolutionary unmanned spacecraft called Hotol that would take off from a runway, accelerate rapidly to put satellites into space and land like a plane.

"We must be realistic," Mr d'Allest said. "Hotol is still just an idea on the drawing board and it will be a very long time before it can compete with Hermes."

He was confident that the next conference of the Paris-based European Space Agency (ESA), which groups the same 11 countries involved in the Ariane programme, would wholeheartedly endorse Hermes as a European venture.

Chernobyl farming resumes

WORK has resumed on six farms near Chernobyl, the nuclear plant which leaked in April, according to Tass, the Soviet newsagency, Reuter reports from Moscow.

Tass said that experts had determined that there was no danger and the farmers had started working with potatoes and preparing fodder in the "Chernobyl district."

It was not clear how close the fields were to the damaged reactor.

Tass said that farmers were working in shifts and their health, as well as the state of the land, air and water, were being constantly checked.

Soviet officials have admitted that the accident near Kiev caused serious economic damage in terms of lost electricity production and the cost of caring for as many as 100,000 evacuees, but the agricultural consequences of the disaster are less clear.

Dr Wardhana: multi-year agreement with Britain

Donors increase Indonesia aid

BY LAURA RAUN IN THE HAGUE

INDONESIA has been promised $2.5bn in financial aid for the coming year by donor countries and organisations, which is $100m (£65.7m) more than last year.

The two dozen countries and international organisations known collectively as the Inter-Governmental Group on Indonesia (IGGI), announced their pledges yesterday in The Hague at the annual meeting. IGGI was founded in 1967 under the auspices of the Netherlands in a bid to co-ordinate financial aid to Indonesia, a former Dutch colony.

Britain pledged £45m comprising £40m in loans and £5m in grants for the fiscal year 1986-87 ending March. That is triple last year's amount.

Dr Ali Wardhana, Indonesia's co-ordinating minister for the economy, finance and industry, said Britain's pledge wasn't made under a multi-year agreement although negotiations are under way to provide as much as £140m over the next two to three years. The £40m loan was believed to be part of the larger amount.

The total amount of aid included $1.68bn from international bodies such as the World Bank, and the Asian Development Bank. The remaining $838m came from individual countries as bilateral aid, largely concessional loans, often tied to projects or purchases in the donor country. The total amount of aid exceeded the World Bank's recommendation of $2.4bn.

Japan remains the biggest donor country, raising its pledge to Y80bn (£317m) from Y75.4bn last year, followed by the US, which reduced its contribution to $86m from $100m. The Netherlands increased its promise by Fl 19m to Fl 179m (£47m).

Indonesia's economy, which is heavily dependent on oil exports, has been battered in the past year by plunging oil prices, weak commodity markets and the falling dollar. Jakarta has sought a greater share of outright grants and soft loans this year.

Dublin protests to Libya over IRA support

By Hugh Carnegy in Dublin

IRELAND is sending an envoy on an urgent mission to Libya to express its "grave concern" over reports that Tripoli may be renewing its support for the IRA.

Mr Peter Barry, the Irish Foreign Minister, announced the move in Parliament late on Wednesday night, following reports from West German members of a European parliamentary delegation to Tripoli that they had been told by Maj Gen Ahmed Jalloud, widely seen as the second most powerful man in Libya, that assistance to the IRA had been resumed after British involvement in the US bombing of Libya in April.

"The IRA is the enemy of the Irish state and of the democratically elected institutions of this state. Libyan government support whether moral or material for the Provisional IRA is unacceptable to us," Mr Barry said. He said the Irish ambassador in Rome, who is accredited to Tripoli, would travel immediately to the Libyan capital to state the Irish position.

Dublin and London have both expressed concern that arms and other material support has been extended to the IRA by Libya in the past.

Berlin division accepted

BY LESLIE COLITT IN BERLIN

TWENTY-FIVE years after the building of the Berlin Wall, the city of West Berlin and the West German Government have officially abandoned their view that a division of Berlin is only temporary.

Mr Eberhard Diepgen, the mayor of West Berlin, yesterday inspected the barren, grass-covered site in front of the Reichstag, the former German Parliament, which lies directly at the wall.

This would end a "provisional arrangement" which has lasted since post-war Berlin was split into East and West in 1948.

The city has decided that its 25-year ban on reconstruction near the Reichstag and the Wall is to be lifted. It was imposed because West Berlin did not want to do anything to change Berlin's physical "unity" in the hope that the wall would soon be torn down and Berlin reunited.

Danish profit-sharing plan

BY HILARY BARNES IN COPENHAGEN

AN ALLIANCE of three left-centre parties with a putative majority in the Folketing have reached a provisional agreement to work for the introduction of compulsory profit sharing and co-determination.

The news caused sharp falls in bond and share prices on the Copenhagen stock exchange.

The deputy leader of the opposition Social Democratic Party, Mr Sven Auken, said, however, that the three parties would not attempt to turn the plan into legislation before the present non-Socialist coalition government had been ousted.

The three parties—which all have reservations about the plan—are the Social Democrats, the Radical Party (which usually supports the present government on economic policy matters) and the Socialist Peoples Party.

OVERSEAS NEWS

Bourguiba backs Tunis premier as his successor

BY FRANCIS GHILES IN TUNIS

MR HABIB BOURGUIBA, Tunisia's ailing, 82-year-old president for life, yesterday confirmed his wish to see Mr Mohammed M'Zali, the prime minister, succeed him.

The president's confirmation of Mr M'Zali came in a speech opening the congress of the ruling Socialist Destour Party. In his address he appeared to put to rest rumours that the prime minister might be politically on the way out in the face of a strong law and order stance taken by General Zine El Abidine Ben Ali, the Interior Minister.

President Bourguiba praised the general in his speech and singled out the Prime Minister for special praise, calling him his "son" and "right hand man."

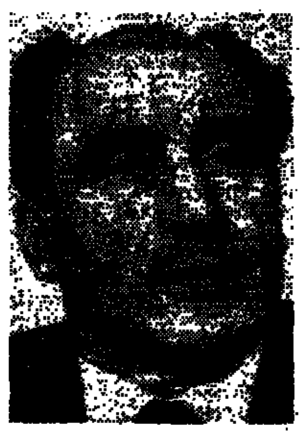
Mr Bourguiba also referred to austerity measures which the Government will announce in detail early next month and said the campaign against corruption which he initiated last December would continue.

This campaign has already claimed some prominent victims, notably Mr Tewfik Torgeman, the former director-general of Union Internationale de Banques who was condemned to 10 years' hard labour and Mr M'hamed Belhadj, the former director-general of Tunis Air.

Rumours are rife as to who is on the "investigation list" in a campaign directed by the Minister of the Interior and Mr Mancour Skhiri, the recently-appointed head of the President's personal office.

Most of the victims so far have been close to Mme Wassila Bourguiba, the president's second wife who was dismissed from the presidential palace last winter and is at present abroad. Mr Torgeman, her son-in-law, meanwhile receives his many friends every Saturday when a long line of BMWs and Mercedes forms outside the Prison Civile in Tunis.

he president spoke for over half an hour yesterday morning, sometimes haltingly. His speech was enthusiastically received by the party faithful gathered inside the congress hall, but the crowds outside were conspicuous by their absence.



M'Zali . . . set to become President of Tunisia

Japan revises textbook

By Jurek Martin in Tokyo

THE JAPANESE Ministry of Education has revised some of the most controversial aspects of a proposed high school history textbook which has inflamed sensibilities in China and South Korea.

The revision was endorsed by Mr Yasuhiro Nakasone, the Prime Minister, who said while campaigning this week: "After studying the problems pointed out by China and other nations, I have reached the conclusion that certain portions of the textbook should be re-examined."

Apparently countermanding the instructions of its own textbook screening committee, the Ministry has changed the wording of descriptions of two historical events—the "rape" of Nanking by the Japanese army in 1937-38 and the circumstances surrounding the amalgamation of Japan and Korea in 1910, during an earlier period of Japanese imperial expansion.

The textbook, the handiwork of a nationalist pressure group, had cast doubt on the conventional evidence that Japan had committed atrocities in China and had been indirectly critical of Korean resistance to being co-opted by Japan.

The pressure group, the National Council for the Defence of Japan, headed by Mr Toshikazu Kase, a well known ultra-conservative, said on Wednesday that it was not wholly dissatisfied with the changes because 60 per cent of its original draft remained intact.

Copies of the textbook, as originally approved and subsequently revised, have not been released, so it is impossible to say how much of a nationalist slant has been preserved. China and South Korea have yet to react to the revisions.

Libya talks for oil companies

BY RICHARD JOHNS

FIVE US oil companies are to meet with Libyan representatives next Monday, either in Austria or West Germany, to discuss the future of their assets in the country—reckoned to be worth about $1bn (£666m)—following the Administration's order to cease all operations and payments to the Tripoli regime by the end of June.

One solution to the executive order issued by the US Treasury favoured by the companies is that the assets should be frozen for the indefinite future.

Occidental, Conoco, Amerada Hess, Marathon and W. R. Grace are understood to be optimistic that Washington will approve such a compromise. Mr James Baker, Secretary of the Treasury, and other top department officials are understood to view sympathetically an arrangement which would give them the possibility of future access to Libyan oil resources.

The other option would be to sell their Libyan interests but the companies do not foresee much chance of potential buyers coming forward because of the collapse of the oil markets and fears about the volatility of Col Muammer Gadaffi's regime.

With its foreign exchange reserves badly exhausted, the Libyan state, it is believed, cannot contemplate purchasing the assets and is therefore also in favour of freezing ownership.

The $1bn estimate of their worth is based on a calculation of net book value. The bulk of the amount involved, probably about $350m each, is accounted for by Occidental and Conoco.

Initially the Libyan National Oil Company should have little difficulty in maintaining operations, but within a relatively short period of time would run into difficulties with spare parts, equipment and repairs.

The five companies are involved in production which last year accounted for about 45 per cent of the country's output and their crude equity entitlements ran at about 250,000 b/d, or about a quarter of the total.

Occidental has its own joint-venture and production sharing agreements. Conoco and Amerada Hess have interests in the Oasis group (51 per cent state-owned) while W. R. Grace was a minority partner of Exxon before the US major pulled out of Libya a few years ago.

They were exempted from the original executive order in January requiring all American companies to leave Libya or sell their assets.

The impending pull-out of the Libyan companies is mainly responsible for the recent surge of Libyan output, believd to have been running recently at a rate of 1.3m b/d compared with a rate of 1m b/d previously this year.

The United Arab Emirates, meanwhile, is reported to have raised its output to 1.45m b/d in the run-up to next week's full ministerial conference of the Organisation of Petroleum Exporting Countries, with 950,000 b/d of this accounted for by Abu Dhabi alone—the equivalent of the quota for the federation as a whole under the existing production sharing pact.

However, Dr Subroto, Indonesia's Minister of Energy and former chairman of Opec, said yesterday that Opec would shift its emphasis in the second half of this year back to driving up prices from its earlier strategy of attempting to secure "fair market share."

China acts to protect enterprise

BY ROBERT THOMSON IN PEKING

THE CHINESE Government has moved to stop attacks on successful enterprise managers, some of whom have been dismissed by local Communist Party officials apparently bitter about their own loss of power under the economic reforms.

Disputes between party secretaries and managers have been common since the Government gave the managers more say in running factories. But a spate of serious cases in recent months has damaged the confidence of so-called reformers and poses a threat to the reform policy.

Front page stories in the People's Daily have called for an immediate end to "groundless attacks on successful managers." The newspaper said "mistakes in the course of reforms are allowed, but not implementing the reforms is unbearable."

Several cases were cited as examples of unfair persecution of reformers, including that of a car fatcory manager sacked because he wanted to introduce "creative" marketing methods such as choosing the retail outlets for the cars produced.

In another case, municipal officials in the southern city of Fuzhou called for an end to "endless investigations" into seven managers at a watch factory that had turned in profits in the past two years because of reforms they introduced.

A conference earlier this month recommended that reformers be given more "political protection" in implementing the Government's ambitious reform programme.

Exactly who runs an enterprise remains unclear in many cases, with the party secretary often attempting to take control of day-to-day management, despite regulations which pass the power to factory directors.

Sanctions against South Africa: the options in Europe

EEC eyes ban on fruit but shies away from minerals

Pressure is mounting for sanctions against South Africa following the failure of Commonwealth efforts to initiate a political dialogue between black and white and Pretoria's imposition last week of a state of emergency. Measures under consideration include bans on imports of agricultural and mineral products and on tourist promotion and air links with South Africa. FT correspondents report on the possible impact.

WHEN OR IF the European Community agrees a joint programme of sanctions against South Africa, agricultural products are likely to be singled out, writes Tim Dickson in Brussels.

Restrictions on fruit, vegetables and wine imports would affect member states more or less equally in proportion to their size and would also be consistent with the influential role played by Brussels in determining member states' agricultural priorities.

European farmers would be likely to jump at the chance to provide alternative supplies and such measures would still leave the EEC with other options if tougher action were needed.

Total agricultural products imported from South Africa by EEC countries in 1985, before the accession of Spain and Portugal, amounted to Ecus 11m, of which more than half went to Britain and West Germany (Ecu 258m and Ecu 168m respectively). South Africa, however, accounts for only 1 to 2 per cent of the total Ecu 46bn agricultural imports by member states from outside the EEC.

Agricultural products account for considerably less than 10 per cent of the Ecu 9.1bn-worth of total South African imports into the EEC so that such a ban would be a relatively modest response. On the other hand, with the bulk of South Africa's agricultural exports aimed at the northern hemisphere, such a move could have a significant economic effect.

Officials in Brussels feel that the commodities concerned could be fairly easily replaced from other sources. South Africa, for example, has traditionally exported fruit to Europe in the winter but cold storage techniques may well permit alternative supplies to be provided within the Community, notably by Spain.

The Britith taste for South African sherry, which accounts for most of the Ecu 5.4m of wines imported by the Community in 1985, could probably be satisfied by Iberian brands, if not at the same prices.

Any stepping up of sanctions might embrace coal—a South African product already unilaterally banned by the Danes. South African purchases represent 25 per cent of EEC coal imports (or 7 per cent of EEC consumption) but as with chrome (50 per cent of the Community's needs here are supplied by South Africa) the effect on member states might be more uneven and alternative sources more difficult and expensive to tap.

In principle Australian and Polish producers could step in, but the disruption to individual customers would almost certainly be significant.

There is much scepticism over whether a ban on air links, or on the promotion of South African tourism could either be made to stick or prove effective. They would be purely "symbolic," one official argued.

Any co-ordinated move to limit or halt investment by EEC countries in South Africa is also unlikely. Information on the size of foreign investment is at best sketchy but there is a feeling that the cumulative impact of private decisions taken by individual companies (ostensibly for purely commercial reasons) has been greater than formal sanctions would be.

● A ban on airline links will hit Union de Transports Aeriens (UTA) the independent French airline specialising in long distance African and Far Eastern routes, writes Paul Betts in Paris. UTA has regular connections with Johannesburg and is already suffering from the deteriorating situation.

Passenger traffic last year dropped 18.4 per cent while freight slumped 27 per cent compared with 1984.

France has said it would support a ban of South African fruit and vegetable imports, not surprisingly. France's overall trade balance with South Africa recorded a deficit of FFr 2.2bn (£200m) in 1985. France imports seven times more food products from South Africa than it exports.

Total, the French oil company 35 per cent owned by the Government, has a one-third share of the Ermelo coal mine in Transvaal with an annual production of 3.5m tonnes, and a 50 per cent stake in the Arthur Taylor coal mine also in Transvaal, with annual production of 1m tonnes. It has its own chrome resources in New Caledonia, however. The previous Socialist Government froze all new French investment in South Africa and this freeze continues.

● West German exports worldwide totalled a record DM 537bn (£160bn) last year. Exports to South Africa totalled just DM 5bn, down sharply from DM 6.6bn in 1984. Imports from South Africa totalled DM 3.2bn, up from DM 2.9bn in 1984, writes Peter Bruce from Bonn.

About 300 West German companies do business in South Africa, chiefly in the steel, chemicals, engineering and electrical sectors. They are said to employ 65,000 people. Total investment is estimated to be DM 2bn.

Last year saw new West German investment worth DM 138m, more than in the rest of Africa put together. Nevertheless, says one knowledgeable South African in West Germany, "German companies, with few exceptions, are hanging on by their teeth in South Africa" because of Pretoria's economic troubles.

Until now German exporters appear to have had little trouble winning export credit guarantees, apart from having to abide by a 1977 decision to limit such guarantees to DM 50m. The Government has however begun to signal that export credit conditions may become much tougher.

Almost 80 per cent of West German imports from South Africa are raw materials, including more than half its manganese ore and manganese, chrome, molybdenum and cobalt ore. Bonn is on the verge of establishing diplomatic relations with Albania, however, a potentially important new source of chrome ore.

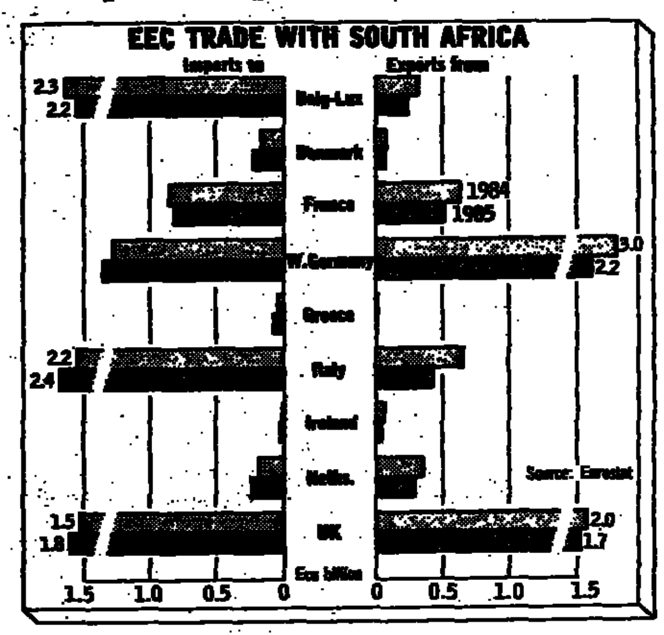
Of the approximately 6m West Germans who holiday abroad each year, less than 45,000 go to South Africa, often because of traditional German links with Namibia. Lufthansa and South African Airways operate eight flights a week between Frankfurt and Johannesburg. Lufthansa said recently that their flights to Johannesburg were losing money.

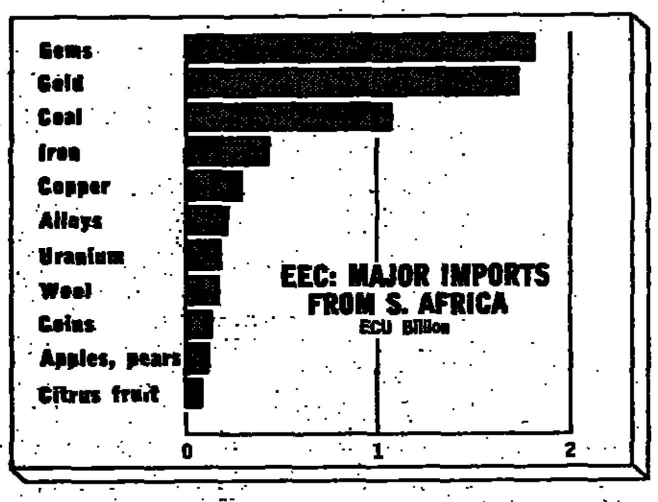
● The Dutch are the third most important source of tourists for South Africa after the British and West Germans, Laura Raun reports from Amsterdam.

Last year 13,000 Dutchmen visited South Africa but the number has been falling in recent years. KLM Royal Dutch Airlines flies twice weekly direct from Amsterdam to Johannesburg.

Only 17 Dutch companies operate in South Africa, but Royal Dutch/Shell employs 2,500 and owns a half share in a 200,000-barrel-a-day oil refinery and the Rietspruit coal mine. About 1 per cent of its total revenues come from its South African operations.

South African imports into the Netherlands were valued at only a modest Fl 522m (£138m) last year, with coal amounting to Fl 144.2m. Fruit is also high on the list.





In the US, anti-apartheid feeling grows while South Africa's big trading partners remain doubtful about how effective measures might be

British companies oppose sanctions

By Christian Tyler, Trade Editor

THE BIGGEST British companies with assets in South Africa are presenting a common public front to oppose Government economic sanctions against the country. But there is some evidence aleady of private dissent about the wisdom of this position.

A spokesman for a specially created British Industry Committee on South Africa said the 50 members were not declaring their policies individually, but said few would pull out voluntarily.

The UK is the biggest investor by far, with £10-12bn of assets of which about a third is direct investment, according to an unofficial Whitehall estimate. There are nearly 180 large British companies with operations there.

The industry committee says the UK accounts for up to 45 per cent of all foreign investment. South African investment in the UK, mainly indirect, is estimated at £700m.

Britain is South Africa's third largest trading partner. West Germany and the US are bigger suppliers of goods, with Japan in fourth place: the US and Japan are bigger customers, with Holland in fourth place.

Machinery and transport equipment worth £480m were the biggest British export last year, followed by chemicals (£201m) and other manufactures like textile, metal and paper products (£124m). Total exports were worth just over £1bn, according to DTI figures.

But in the first quarter of the year there was an unusual UK deficit on visible trade. British exports fell 30 per cent in January compared with the same month last year.

Britain imported last year £274m worth of industrial raw materials, £150m of food, very largely fruit and vegetables, and £327m worth of manufactures. Estimates of the number of British jobs that would be lost if sanctions were applied have varied widely from 50,000 up to the 120,000 cited by the UK Government and the 130,000 given by the industry committee.

Lynton McLain adds: London is the most important European gateway for South African Airways (SAA), and any suspension of operations would deal a serious financial and commercial blow to the state carrier and to service industries in South Africa that support tourism and business travel.

A suspension of the bilateral air services agreement would also hurt British Airways, which puts 10 scheduled flights per week into the republic. Such a stoppage, if accompanied by similar action by other African nations, would stop the interline flow of passengers from overseas filtering onto British Airways and South African Airways flights in London.

British Airways hopes the UK will not suspend operations. Its flights carry some 130,000 passengers a year in each direction. It operates at load factors of 60 per cent. SAA operates at similar frequencies to London and also flies to most of the capitals of Europe.

Apartheid discourages US investors

BY STEWART FLEMING IN WASHINGTON

THE ISSUE of South African sanctions is dominated in the US by political and moral concerns, unlike Europe where the severing of trade and investment links would have a measurable impact on the economies of Britain and Europe.

Even so, the sponsors of the amendment approved late on Wednesday, which called for a total embargo on trade with South Africa and complete disinvestment by US companies, could scarcely believe that such Draconian measures had been passed.

House Speaker Thomas O'Neill was probably right when he said after the vote that the reason the ploy by opponents of sanctions, to force a choice between no sanctions or reverance of relations, backfired is "the tidal wave of revulsion" at apartheid

Some of the South African Government's most recent actions—the imprisonment of its critics without trial and censorship of the press—are so repugnant to the average American's concept of freedom that Senator Richard Lugar, the powerful chairman of the Senate foreign relations committee, said this week that they "border on madness."

Senator Lugar's stance is now crucial to the next stage of the sanctions debate in the US. Nobody believes that the Senate, which has sanctions legislation pending, will pass a Draconian bill such as that approved by the House. But the passage of the House bill undoubtedly puts pressure on the Senate to debate the sanctions

Even without the imposition of punitive sanctions, US-South African commercial links are unravelling. Figures for the first half of 1985 (the latest available) confirm anecdotal evidence that US companies are cutting back exports to South Africa. In 1984 US exports totalled $2.1bn (£1.4bn) compared with $2.35bn of imports.

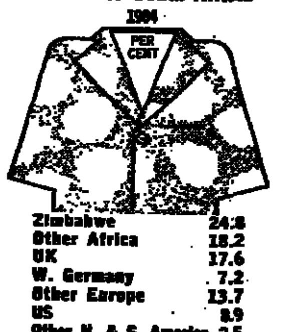
Commerce Department data suggests that the value of US direct investment in South Africa at the end of 1985 was $1.3bn compared with $2.6bn in 1981. The Investor Responsibility Research Centre estimates that around 50 (mainly smaller) US companies have pulled out of South Africa over the past 18 months

US commercial interests in South Africa are of no great economic significance to the US, although US companies control some 47 per cent of the computer market there

These global trade figures would only become relevant in the unlikely event that the Draconian embargo approved by the House became law. The narrower but still punitive economic sanctions bill which the House leadership backed and expected to pass, and which could well resurface in the Senate, calls for a ban on a smaller range of products.

It would block US imports of uranium (1985 $192m), steel (1985 $117m) and coal (1985 $44m). The proposed ban on air landing rights would affect up to five direct weekly flights to the US.

Visitors to South Africa: 1984



Zimbabwe	24.8
Other Africa	18.2
UK	17.6
W. Germany	7.2
Other Europe	13.7
US	8.9
Other N. & S. America	2.5
Australia	2.1
Other	5.0
Total	792,387

Source: S. Africa Quarterly Bulletin of Statistics.

Sceptical Israelis will join in

By Andrew Whitley in Tel Aviv

ISRAEL says it will ally itself with what it describes as "mainstream Western democratic opinion" in any internationally co-ordinated sanctions against South Africa. It makes no bones however about its dislike of sanctions as a weapon, believing that they will work only if everyone participates "100 per cent," especially Britain and the US.

Cutting air and tourism links, banning the import of fruit and vegetables and halting new investments in South Africa would be fairly painless, for Israel, which reported goods worth $175m last year from the country only 1.4 per cent of the total. Coal is the most important single item, but supplies could easily be replaced from Colombia or the US.

None of Israel's supply of "rough" diamonds for polishing are said to come directly from South Africa. Approximately 43 per cent is purchased through the Central Selling Organisation in London and a further significant percentage comes from the international market in Antwerp.

The two countries' national carriers operate one flight in each direction and they are competitors in fruit and vegetable markets.

Israel is believed to have important clandestine contacts with South Africa particularly in conventional arms and nuclear weapons research, which because they are unacknowledged, are likely to survive any sanctions unscathed.

● All 22 members of the League of Arab States, including Egypt which has been suspended from the organisation since 1979, maintain a political and economic boycott of South Africa. This includes refusing entry to any person carrying a South African visa in their passport.

Democratic Latin America turns face away

BY OUR FOREIGN STAFF

LATIN AMERICAN countries could play an important role if the calls for tougher international sanctions against South Africa gather momentum. The switch from military-run governments to democracies in the past two years has led to a major reassessment of attitudes towards dealing with the racist regime in Pretoria.

This has particularly affected Argentina and Brazil, where previous military regime shad encouraged commercial links and military collaboration.

Two-way trade between Brazil and South Africa in 1980 worth $303m has now fallen to $71m, two thirds in South Africa's favour, and is likely to get smaller.

When he took office last year, Mr Jose Sarney, the Brazilian President, assumed what officials described as a "personal crusade" to place Brazil in the forefront of the continent's critics of South Africa.

Aware that in the event of an embargo Brazil would be in a position to supply a lot of South Africa's needs, last August he banned all military sales. This was one of the five decrees so far issued by the President. Visa restrictions were tightened and all sporting, cultural and scientific links banned.

He sent a personal message to the UN meeting on sanctions in Paris this week, pledging Brazil's support, and intends to take a strong stand in the Security Council if, as is expected, Brazil becomes Latin America's representative this year.

President Raul Alfonsin, when elected in December 1983 also moved to cut Argentina's previous military and security ties with Pretoria.

Mr Dante Caputo, the Foreign Minister, was the moving force behind the decision to break diplomatic relations with South Africa last month, but no move has been taken as yet to extend the rupture to economic relations. Bilateral trade amounted to $185m last year, with Argentina in strong surplus, exporting primarily vegetable oils and importing steel products and scrap and chormium ore.

Japanese exporters cling on to market

BY CARLA RAPOPORT IN TOKYO

JAPAN plans to take no further economic sanctions against South Africa unless such moves are undertaken by a broad number of its trading partners. Tokyo maintains that it has already taken a strong stance against apartheid by restricting diplomatic relations to the consulate level, and by banning the import of Kruggerands and the exports of computers to the South African police and military agencies.

Japan's trade with South Africa was officially worth nearly $3bn last year. Imports from South Africa outstripped exports by about two to one. Most diplomats, however, believe that trade between the two countries is more evenly balanced, as a significant proportion of Japan's exports of higher technology items is believed to be shipped through third countries.

Japanese imports from South Africa are mainly coal, iron ore and metals such as chrome, copper and aluminium. The Foreign Ministry says that Japan is heavily dependent on South Africa for only three metals: magnesium, chrome and vanadium. However, the value of these three imports is not large.

"If these imports were stopped, the impact would not be big. The price might rise, but we could easily absorb such an increase," an official said.

Japanese exporters, however, are likely to be less enthusiastic if trade with South Africa is further restricted. Officially, South Africa bought $722m worth of machinery and equipment from Japan last year, and nearly $200m worth of cars.

The recent appreciation of the yen has resulted in a rapid slow-down in exports to the US in particular, of machinery and machine tools. Exporters will most likely lean heavily on the Government to spare their sectors from any further economic sanctions and if more sanctions are imposed, it is believed that exporters would find willing third countries to handle unofficial trade with South Africa.

Japan does not allow direct investment in South Africa, nor do the Japanese consider South Africa anything but a business destination. Because trade with South Africa amounts officially to less than 1 per cent of Japan's total external trade, the issue does not assume major proportions for the Government.

Pretoria searches for ways round curbs

BY JIM JONES IN JOHANNESBURG

WHEN Britain and the US banned imports of Krugerrands some months ago, the South African Government breathed a private sigh of relief. The bans gave Britons and Americans a feeling of doing something about apartheid, but did not seriously hurt South Africa's economy.

The gold which went into the coins is now simply sold as bullion and all South Africa has lost is the small premium to the bullion price at which Krugerrands were sold.

This experience leads to the subjective view that other sanctions would be as ineffective. Several Commonwealth proposals at Nassau last October appear to be akin to closing the stable door after the horse has bolted.

Reports of countrywide violence have already been accompanied by a large drop in numbers of foreign visitors who last year provided a large part of the country's Rands 5.8bn (£1.5bn) service receipts. It is hard to see a ban on tourism promotion having any greater effect.

South African Airways has begun a promotion, asking residents for names of friends or family abroad to whom promotional literature will be mailed directly. A draw of the names will be held and the winner receive a free trip to South Africa.

New investment in the country has virtually disappeared since last September's moratorium on foreign debt repayments and the focus has switched to the use of domestic capital both to finance economic recovery and to encourage foreign-owned companies to stay in South Africa.

Government-backed trade facilities also dried up with the reluctance of foreign banks to extend further long-term credits to South African borrowers. Less conventional trade techniques, such as countertrade, are being investigated.

Bans on imports of South African coal and ferro-chrome could harm other exporting countries. Last year South Africa exported 44.3m tons of coal worth Rands 3.14bn. Since Denmark and France announced curbs on imports the South Africans have looked to other markets, such as Pacific rim nations, and this has caused anguish in Australia, where coal costs more to produce and prices are being undercut.

Ferro-chrome plants have been operating at full capacity in response to demand from the world's revitalised stainless steel industry. The US, which has only one ferro-chrome plant of its own, is heavily dependent on the 800,000 tons or so of ferro-chrome which South Africa currently exports each year.

Fruit and vegetable exports totalled fractionally less than Rands 700m last year, equivalent to less than 2 per cent of total exports. In the past Britain was South Africa's principal customer, but diversification has opened new markets in Africa and the Far East.

Poisoned drug claims new victim

THE US Food and Drug Administration has issued a nationwide warning against the use of Excedrin, a pain-killing drug manufactured by Bristol-Myers, following a second death linked to a cyanide-laced capsule, Agencies report from Seattle.

Bristol-Myers joined the FDA in the warning and ordered a nationwide recall of all Excedrin capsules.

Scientists at a Seattle laboratory found cyanide in a bottle of Extra-Strength Excedrin that had been used by the latest victim before his death on June 5. The man, in his 50s, was originally thought to have died of emphysema.

Prisoners fight back

RIOTING prison inmates in Peru yesterday fought back with firearms and explosives against troops attempting to regain control of three jails, and many prisoners have been killed, AP reports from Lima.

City under attack

Left-wing guerrillas launched a heavy mortar and infantry attack against El Salvador's third largest city, San Miguel, yesterday and police said they feared heavy casualties, Reuter reports from San Salvador. In September 1983 an estimated 700 guerrillas besieged the city for eight hours.

Mexico pressed to clarify its intentions on finance policy

BY DAVID GARDNER IN MEXICO CITY

THE Mexican Government is under pressure to clarify quickly any policy and personnel changes in the wake of this week's replacement of Mr Jesus Silva Herzog as Finance Minister. Attention has been concentrated particularly on whether Mr Miguel Mancera, governor of the Bank of Mexico, and Mr Angel Gurria, the country's chief foreign debt technician, are to remain in their posts.

The new Finance Minister, Mr Gustavo Petricioli, has said that no decision has been reached on the Treasury team, and that the Government will not be providing information in the immediate future on the progress of talks with the IMF and Mexico's creditors.

Strong rumours re-surfaced yesterday that Mr Mancera had submitted his resignation, but a senior central bank official denied this. Both Mr Mancera and Mr Silva Herzog were reported to have resigned ten days ago—at least the third time in the past year the two men's names had been linked in this way.

Though the full impact of Mr Silva Herzog's departure will not be known for some days, the Government appears anxious to signal continuity as well as a new firmness in dealings with its creditors.

Mr Silva Herzog's closest collaborators were particularly loyal to his leadership and used to his unusually independent style and relative autonomy. It is unclear whether they are willing to be brought under the full cabinet in the Government's drive for a more unified position on both debt and domestic economic policy. This is particularly so as Mr Silva Herzog's departure clearly strengthens the hand of Mr Carlos Salinas de Gortari, the more interventionist Planning Minister.

be made uncomfortable if, as now seems likely, attempts are made to force down domestic interest rates and liberalise credit policy. The objective would be to get a grip on the Government's uncontrollable domestic interest bill and limit this year's expected 5 per cent fall in gross domestic product.

He has passionately defended a high positive real interest rate policy as the only means to rebuild collapsing domestic savings and stem capital flight. But bank base rates are now above 70 per cent and three month Treasury bills stand at a historic high of 81 per cent.

Each one point rise in base rates adds Pesos 120bn ($220m) to the Government's domestic interest bill. Rates have already risen 16 points since the Government budgeted for what it thought was a high median rate for this year with an 8-10 point margin of flexibility. In the first quarter alone this provoked a Pesos 3,490bn ($7bn) increase in net domestic indebtedness.

The financial authorities in fact have already begun to relax the ferocious credit squeeze of the past year—during which the Government has monopolised 98 per cent of bank credit—in a bid to avert a wave of bankruptcies.

Though the Government's programme gives paramount importance to the battle against inflation, which is running at around 70 per cent and expected to reach 90 per cent by the end of the year, the risk of hyper-inflation has been eclipsed in official statements over the past month by concern about the threat to Mexico's manufacturing base.

IMF WAIVER SOUGHT FOR RELEASE OF $275m PAYMENT

Argentina promises major economic change

BY TIM COONE IN BUENOS AIRES

ARGENTINA is to make important economic adjustments in return for an IMF waiver to release a final $275m tranche of a $1.4bn standby agreement dating from 1985.

A senior Economy Ministry official said the adjustments include halving the growth of the money supply to 3 per cent a month, real increases in certain public sector tariffs, maintenance of real interest rates, and strict adherence to public sector spending targets for the rest of this year.

A letter outlining the Government's economic targets for the remainder of the year was sent to the IMF on Wednesday night and will be discussed by the Fund's board next Monday. Its president, Mr Jacques de Larosiere said earlier this week that he will recommend approval of the waiver following intensive discussions between the IMF and Argentine officials last week.

The waiver was sought after Argentina failed to meet money supply and fiscal deficit targets and interest payment arrears, although the IMF's concern apparently focused on the money supply growth and interest arrears.

Tight control over central bank rediscounts to local banks will be the principal method of reining in money supply growth, which in itself is expected to lead to sharp rises in interest rates in the Buenos Aires money markets.

The public sector deficit is to be kept within 3 per cent of the gross domestic product for 1986, and the Government remains committed to keeping the average inflation rate to 2 per cent per month throughout the year. Foreign exchange rather than Treasury bonds are now to be used for profit remittances, royalty payments, insurance and other financial services. This was part of the original standby agreement which until now has not been adhered to by Argentina.

YPF, the state oil corporation, Argentina's biggest company, is meanwhile having overdue interest payments on its foreign debt replaced by Treasury bonds. Future payments are to be paid out of petrol tax income. Its drilling programme is to be cut by a third and companies are expected to fill the space left by YPF in the country's energy programme.

The success of Argentina's economic plan now hinges on the Government's ability to curb public sector wage demands and to obtain a further $600m in credits from foreign commercial banks as part of a final tranche of a US$4.2bn loan agreed in 1985.

US companies weigh cost of South African operations

BY PAUL TAYLOR IN NEW YORK

WHATEVER THE ultimate fate of the tough bill passed by the US House of Representatives—legislation that would impose a trade embargo on South Africa and require complete divestment by US companies and citizens of their South African holdings—the House vote is almost certain to accelerate the US corporate withdrawal from South Africa.

Under pressure from anti-apartheid activists, church groups, shareholders and local authorities, the pace of US corporate withdrawal from South Africa has already quickened over the past 18 months.

According to the Investor Responsibility Research Centre, a Washington-based research group, seven US companies pulled out of South Africa in 1984. Last year a further 38 quit, and so far this year 13 US companies have withdrawn.

Among the major withdrawals last year, Phibro-Salomon, the now renamed Wall Street investment banking and commodity trading firm, announced last August that it would end its operations in South Africa and close its Johannesburg office.

Other big name withdrawals or dramatic South African business reductions have included Apple Computer, Coca Cola, Pepsico, Pan American, Ford, which merged its motor operations last year with Anglo American's Sigma Motors reducing its stake to 40 per cent and surrendering management control, and Motorola which last October sold its South African manufacturing, distribution and services interests.

In the same month D. C. Covington and Burling, the largest law firm in Washington, dropped South African Airways as a client—a week after law students at Yale, Harvard, New York University and a number of other colleges announced a boycott of the firm.

A few weeks later, General Electric disclosed that it was talking to "a group of entrepreneurs" in its South African units who wanted to buy and split up GE's operations there. GE, which began business in South Africa in 1919, once had ? 000 employees there. But by late last year the number had dwindled to less than 700, working in units with annual sales of less than $28m.

Those pulling out or scaling back their involvement this year have included American Telephone and Telegraph, the US telecommunications group which agreed in April to sever virtually all ties with South Africa under pressure from a group of employees.

Many US companies withdrawing from South Africa attribute the decision to economic rather than political factors. Early this month, Eaton Corp sold its two South African subsidiaries that make electrical equipment and distribute truck components. Eaton cited among other factors, the high level of management attention needed in proportion to the size of the businesses.

Similarly Diamond Shamrock, the Dallas-based oil group, recently announced plans to sell its 128,000 share in a South African chemical company, declaring: "We have reached the point where the effort, the lost time, have made it no longer worthwhile."

Nevertheless, US corporate involvement remains heavy, according to the House Foreign Affairs Committee, about 280 American companies would be hit by the House bill which would require them to cease South African operations within 180 days.

They include many of the best-known names in corporate America: International Business Machines (IBM), the computer giant, Mobil and Shell Oil, General Motors, US Steel, and Citicorp. Together, US companies still have about $2bn in total assets in South Africa, compared to about $2.6bn at the end of 1981, annual sales of about $1.8bn, and around 46,000 employees—down from 90,000 four years ago.

Overall US investments in South Africa are in some of the most important sectors of the local economy. According to a study released last autumn by the American Friends Service Committee, US companies control up to 48 per cent of the South African computer market, 44 per cent of the oil market and about a third of the South African motor vehicles market.

Many of these companies, most of which operate in South Africa under the so-called Sullivan Principles — fair play and equal pay guidelines laid down more than a decade ago by Philadelphia's Rev Leon Sullivan — have, however, been scaling back their involvement with South Africa.

For example, Mr Roger Smith, chairman of General Motors, which has 3,500 employees in Port Elizabeth and Aloes, Cape Province, last month announced that it would stop selling vehicles to the South African police and military — a move prompted in part by shareholder pressure. Mr Smith announced the move at the company's annual meeting.

GM has been one of the staunchest supporters of the pro-South African group of US companies that have argued that wisely used investment in South Africa can be a powerful force for peaceful change. The Rev Leon Sullivan sits on GM's board.

The acceleration of US corporate withdrawal has taken place against the backdrop of a lackluster South African economy, resulting in losses or marginal profitability for many subsidiaries, and mounting political and investor pressure at home.

Rev Leon Sullivan: many US companies operate in South Africa under his fair play and equal pay guidelines

Many major US corporations faced shareholder motions calling for withdrawal from South Africa during this year's annual meeting season. Most of these votes were lost — but many company chief executives were forced to restate, and in some cases rethink, their companies' involvement with South Africa.

A forced withdrawal from South Africa could pose serious problems for many of those US companies with major investments remaining in South Africa—and would likely result in substantial write-offs and losses. In addition, it would pose problems for the thousands of individuals who own stock in South African companies—often in mining concerns—and for those US corporations with minor equity stakes in South African businesses.

The House bill would also have direct impact on the estimated more than 6,000 US companies that export to South Africa, license products for sale there or buy South African goods.

Most US corporations, like the Reagan Administration, would probably resist a forced withdrawal. Indeed, most of them still stand by the claim that they have made progress applying the Sullivan Principles—a claim that is generally supported by Arthur D. Little, the accounting firm which monitors adherence to the principles.

However, a growing number of US corporate leaders are already expressing serious doubts about their continued involvement in South Africa, and more divestitures and withdrawals seem inevitable—with or without congressional action.

US personal incomes fall marginally during May

BY STEWART FLEMING IN WASHINGTON

THE INCOME of Americans declined by 0.1 per cent in May after rising sharply in April, the Commerce Department reported yesterday. But the fall, which was smaller than many had expected, was due to lower subsidy payments to farmers, a volatile component of the overall figures.

Without the farm element, personal income rose a modest 0.4 per cent against a comparable 0.3 per cent in April, continuing the sluggish rate of expansion over the past year.

Many private economists see the moderate pace of income growth as a factor which will restrict US economic growth, particularly at a time when consumers have already borrowed heavily to purchase goods.

The May figures show consumer spending to have been stronger, however, with increased purchases of non-durable goods after declines the month before.

More of this will alter economists' expectations that the annual real rate of expansion will be no more than 2 per cent, below the 2.9 per cent recorded in the first three months of the year.

Japanese targeting further chip market, US makers claim

BY LOUISE KEHOE IN SAN FRANCISCO

US semiconductor manufacturers are alleging that their Japanese competitors are applying the same unfair trade practices they have used in memory chips to win a major share of the $1bn (£666m) US market for "semi-custom" chips.

These chips known as "application specific integrated circuits" (Asics) are customised to meet the needs of particular applications, and have represented the fastest growing sector of the semiconductor market for the past two years.

Led by LSI Logic Corporation, the largest US manufacturer of Asics, the chip makers are preparing to take "preemptive action" to ensure an end to alleged Japanese dumping, and the opening of the Japanese market to US suppliers.

LSI Logic, National Semiconductor, Advanced Micro Devices and Intel have as a first step written a joint letter to Dr Clayton Yeutter, US Trade Representative, asking that Asics be included in the semiconductor trade agreement being negotiated with Japan.

Last month Dr Yeutter and Japan's Trade Minister, Mr Michio Watanabe, announced a "framework agreement" on semiconductor trade. Details of the accord are still being worked out at negotiations in Washington.

The US Asic makers want their products to be included in a proposed production cost and price monitoring system designed to prevent any Japanese dumping. This plan is expected to become a major aspect of the US-Japanese trade agreement.

"There are indications that Japanese companies are targeting the US Asic market, just as they did in Drams (dynamic random access memory)," a spokesman for LSI Logic said.

Last month the US International Trade Commission ruled that Japanese chip makers had illegally sold drams in the US "below fair value," and imposed stiff dumping penalties.

The US Asic makers hope to gain relief from "unfair" Japanese competition through the anticipated price and cost monitoring system but are "considering all options," including filing a dumping suit which would claim that the US industry has been damaged by Japanese pricing practices.

Japanese Asic manufacturers currently hold about a 10 per cent share of the US market, according to Mr Andy Prophet, senior analyst at Dataquest, a market research firm.

But over 50 per cent of new US Asic "design wins" are going to Japanese companies, he said. "It looks as if the Japanese are capturing a dominant share in the US Asic market," Mr Prophet added. The Japanese successes in winning new Asic customers will become evident in 1987-88, when the parts are put into volume production, he predicts.

"The Japanese are winning the Asic business on price," Mr Prophet went on.

French in move to save cargo ship sector

FRANCE HAS created a port of convenience in its Indian Ocean island possession Kerguelen in order to boost its competitiveness in international shipping, Reuter reports.

Mr Ambroise Guellec, Secretary of State for the Sea, said earlier this week that ships carrying dry and liquid goods could register at Kerguelen provided at least 25 per cent of the crew and four officers were of French nationality.

The move, opposed by certain unions, had been made necessary by intense competition in the international market, he added.

"It was either that or face the complete disappearance of the (French) cargo ship sector and the defection of those ships to free port registration."

But he stressed that the decision did not apply to tankers and would not be extended to other commercial ships.

Under the new guidelines, a ship registering in Kerguelen will pay fees about half those for a metropolitan French port but still about twice those for free ports such as Liberia's.

Companies seek Indian countertrade accord

By John Elliott in New Delhi

THREE international trading companies are negotiating a countertrade deal with India's Minerals and Metals Trading Corporation (MMTC) for importing pig iron and billets worth up to $200m (£133m) from South America at a time when India is cautiously expanding its countertrading activities.

The companies arrived in New Delhi yesterday to finalise negotiations.

India has substantial demand for pig iron and billets and wants to cover the cost of imports from Venezuela, Brazil and Argentina with exports to these and other third countries.

The Indian Government is officially opposed to countertrading, but pressure on the country's balance of payments have caused it to allow its two government-owned trading houses, the MMTC and the State Trading Corporation, to go ahead with deals where there are special advantages.

Countertrade exports totalling $100m were completed by the two corporations in 1985-86 following this change of stance and at least another $200m has been arranged, excluding the proposed South American deal.

Government corporations are being urged by the two trading houses to explore the potential for countertrading when placing contracts abroad. But officials estimate that the total exports involved are unlikely to grow to more than $200m-$300m a year within two or three years.

Constraints include government insistence that import prices must not be allowed to rise and that the quality of any technical transfer involved must not be impaired.

Potential growth is also restricted because projects and purchases covered by concessional financial aid cannot be included. In addition about 25 per cent of India's total $10bn-$11bn exports and about 14 per cent of $14bn total imports are conducted in a long-standing rupee-only form of counter trade with five East European countries.

A redundant iron ore pellet and concentrate plant built in South India to produce solely for Iran has been taken out of mothballs to produce 3.5m tonnes of output a year for countertrade exports to Yugoslavia and Japan and rupee-trade sales to Poland.

Chinese joint ventures reach a watershed

BY ROBERT THOMSON IN PEKING

"WHAT joint ventures have problems? You should ask what joint ventures don't have problems," said a Peking-based foreign banker, who recited a litany of difficulties that have afflicted foreign investors in China, and slowed the flow of investment.

While complaints are not new, diplomats and foreign businessmen are agreed that investment levels have reached a watershed, and they are convinced that the Chinese Government must take significant action to restore the country's reputation.

Chinese officials have noticed the change in mood, and an unprecedented "crisis" meeting held last week was a measure of their concern. Twelve foreign managers of relatively successful joint ventures were asked to brief about 30 Chinese managers and investment officials on their problems and were invited to proposed reforms.

Among the matters discussed were the difficulty of repatriating foreign profit, stultifying foreign exchange controls and the frustration that almost every foreign company has encountered in dealing with the Chinese bureaucracy.

The glow that initially blinded investors to the complexities of doing business has been diminished by the widely-publicised problems threatening joint ventures, particularly an American Motors Corporation Jeep venture.

Potential investors are now concluding that China is not for them, and investment for the months of January to April this year was about $500m compared with a claimed figure of $5.85bn for the whole of last year. The government has been disappointed by the direction of new investment, little of which has gone into technology-oriented projects.

The Government says 2,300 joint ventures have been established since the door was opened in 1979. It claims to have attracted investment totalling $16bn, though Western bankers note that used investment amounts to only $4.6bn.

At last week's meeting the foreign joint venturers proposed that a powerful foreign investment agency be set up to handle the concerns of investors. This would allow them to avoid having to deal with bureaucrats in various departments, many of whom are uncertain in exercising power and inexperienced in the ways of business.

An example cited by a foreign delegate was the difficulty his venture has faced in retrieving money owed to it by a municipal taxation bureau. Tax had been paid in advance, but the company recorded a loss last year, and has since been trying to get its due reimbursement.

But Chinese taxation authorities are unaccustomed to handing money back to taxpayers, and the joint venture manager has concluded that the only way he will be reimbursed is by refusing to pay tax this year.

Another major problem is the uncertainty of Chinese commercial law. One foreign businessman told of how Chinese officials have occasionally quoted supposedly new laws affecting his venture, yet when challenged to produce the laws, the officials have made excuses such as "it hasn't been published yet" or is for the eyes of senior officials only.

A Vice Minister of the State Economic Commission, Zhu Rongji, assured those at the meeting that the Government was aware of the need for a unified government department to handle joint ventures, and of the problems of middle-level officials meddling in projects.

What he did not say was that measures introduced earlier this year to ease foreign exchange controls were impractical and has been little assistance. Nor did he admit that long-term progress is hindered by some short-sighted money-hungry departments.

A generally unvoiced but deep and abiding problem is that many foreigners do not trust Chinese officials—in some cases, there is even distrust of project partners. Many Chinese are also suspicious of the foreign businessmen who are meant to be providing the capital and expertise that the country lacks.

Foreigners still are not sure whether contracts will be breached, and whether the years of effort to establish a relationship will be wasted when the Chinese dump them as partners. A representatie of a prestige joint venture, hailed by the Chinese as a "model" for others, observed: "Of course you think about that. But I hope we are different. I don't think they will dump us."

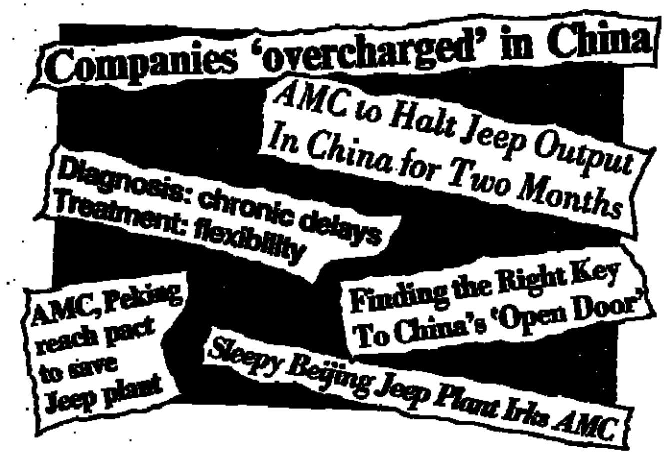
Part of the problem is the limited scope of responsibility of Chinese officials. Ultimately, the aim of many cadres is to ensure that they don't do anything wrong, rather than working for broader interests and making the creative decisions that are needed to resolve problems. The Government has already launched a campaign against red tape.

Other day-to-day irritations make the environment torrid for foreign investors. The poor quality of labour, the "special" inflated prices for "foreign guests" and wages for local staff which could be nine or 10 times their take-home pay, with the Chinese authorities taking the bulk of the money. Infrastructure deficiencies mean it takes longer to move equipment within a city than to ship it out from Europe.

There is also a fundamental conflict of interest. The Chinese want to produce goods for export, while foreign investors generally want to tap the "China market," a drive that has been dubbed "the two billion socks theory."

If investment continues to fall a major plank of China's "open-door" policy will have splintered, and Peking's pragmatists will be forced to review their ambitious economic reform programme and lower their aims.

The intervention at the highest level in the Jeep joint venture—the Chinese Premier, Zhao Ziyang, was involved in the discussions — reflects the leadership's concern. Major adjustments are needed, and soon.



Mannesmann Demag, the heavy engineering division of Mannesmann of West Germany, said it has apparently edged out the state-owned IRI of Italy in the competition for a contract to build a large steel plant in eastern China, David Brown reports.

The preliminary agreement, worth "over DM 500m (£205m)" calls for construction of a round continuous casting and seamless tubing facility in Tianjin, with an annual capacity of some 500,000 tonnes.

The electric steel plant ordered by the National Technical Import Corporation, is to be on stream in about four years.

Saudi credit rating slips

BY CHRISTIAN TYLER, TRADE EDITOR

BRITISH companies are being charged higher premiums by the government for insuring their medium and long-term business contracts with Saudi Arabia.

The country has been demoted rom first to second category in the confidential credit ratings of countries held by the Export Credits Guarantees Department.

The decision, apparently taken two months ago, follows reports that more then $8bn (£5.3bn) of payments due to foreign construction companies and suppliers are subject to delay by the Saudi government or state agencies.

Like other oil producers, Saudi Arabia has suffered a sharp decline in revenues following the fall in prices.

The total of payments overdue to British companies is not known, but is thought to be less than for the US, South Korea and Japan.

The credit rating of export markets is considered a sensitive issue by the ECGD, because of the damage it may do to political relations with the UK. A departmental spokesman refused to comment on Saudi Arabia's rating.

Insurance of short-term UK trade with the kingdom is not affected.

Ericsson wins Norwegian orders

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

ERICSSON, the Swedish telecommunications and electronics group, has regained a foothold in the Norwegian market for digital public telephone exchanges.

EB Telecom, its Norwegian licensee, has been awarded contracts worth SKr 90m (£7.8m) to supply four main exchanges during 1986.

The exchanges with more than 50,000 local and transit lines will be located in Oslo, Bergen and Stavanger. The contract has an option for a further 20,000 lines in 1987.

In early 1983, the Norwegian telecommunications authorities chose the ITT System 12 in preference to Ericsson's Axe system and awarded STK, the US company's majority-owned Norwegian subsidiary, a contract for around 700,000 lines.

Norway had traditionally been an Ericsson market and EB, in which Ericsson has a minority equity stake, previously held around 50 per cent of the public switching market.

ITT's first deliveries of its System 12 switches have been delayed, although the first exchange is undergoing testing in Trondheim.

The Norwegian PTT said it had ordered Axe equipment partly because of the delays with the ITT switches, but also to cope with the rapid increase in telephone traffic.

Under the new contracts, some 30,000 lines will be provided with two new exchanges in Oslo comprising a local exchange and a large tandem exchange with 12,000 transit lines.

● Asea AB is setting up a switchgear manufacturing plant in Saudi Arabia under a joint venture agreement in which the Swedish group will have a 40 per cent stake, Reuter reports.

TECHNOLOGY

One man's fight to catch the wind

Andrew Fisher on how a return to the age of sail has become more than just a pipe dream

IT SOUNDS unlikely, adventurous, and possibly even bizarre, but the idea of putting sails onto modern cargo ships to save fuel is anything but a romantic harking back to the days of billowing canvas.

Shipping is a harshly competitive world, with owners constantly battling to save costs. Advanced engines, hull forms, propellers, and self-cleaning paints have all been *developed to smooth* the passage of ships through the water.

Few owners have considered sail, though. It is too remote from their experience in running diesel-thirsty vessels and too fraught with risk. However, a small UK cargo ship has just been fitted with a rigid computerised sail designed to shave fuel costs by 15 per cent or more. The sail's manufacturer Walker Wingsail Systems, which has just published a prospectus aimed at raising £1.8m through a share offer under the Business Expansion Scheme, claims that, despite the slide in oil prices, owners can still benefit significantly from the sail's use.

Computer-controlled and made of steel, light alloys, and plastics, Walker's product is a far cry from the days when wind-filled sails were the only form of ocean propulsion.

Not surprisingly, the unusual nature of the project has made life hard for the company. Mr John Walker, 49, managing director, developed the sail through aerospace techniques. When the company found it hard to raise money in the City, his wife, Jean, 43, commercial director, went on hunger strike.

Clearly, the wingsail still has plenty of scepticism to overcome. But Mr Walker claims it is far beyond other sail systems tried the Japanese and French, and there are certainly no competitors within the UK.

Perched on top of the mv Ashington, a 7,000 tonne bulk carrier owned by Stephenson Clarke, part of UK industrial group Powell Duffryn, the 45-foot high pale blue wingsail looks more like a piece of abstract art than an aid to shipping.

But its purpose is strictly commercial. Walker Wingsail has spent around £1.5m in developing its product over eight years, finally approaching credibility when Stephenson took the plunge and bought one for £100,000 in January this year.

"We're the guinea pig, we accept that," says Mr Geoffrey Walker (no relation), managing director of Stephenson. "We've taken it on board very much on the basis that it is a bit of research and development. We *want to see if it works or not.*"

A real evaluation will take a year. Though lower oil prices have cut the Ashington's annual fuel bill by more than 50 per cent to between £150,000 and £200,000, "there are still important savings." Half the money for the sail came through an Innovation Grant from the British Department of Trade and Industry.

The wingsail consists of one very stiff and strong central panel, with two identical but *lighter side panels, all trimmed* to the correct angle by an aerodynamic tail vane. Weighing seven tonnes, it can produce 6.5 tonnes of thrust at wind speeds of 33 knots.

At the start of each voyage, the system is switched on by the captain. The computer checks wind speed and direction *and fixes the right setting for* the sail. It then responds to each change in wind direction, re-angling the system to obtain optimum thrust.

Because *it is fully automatic,* with a twin microprocessor system, the crew's work is not increased. The wingsail was tested on a land-based rig by Lloyd's *Register of Shipping, one of the* international bodies which classifies ships to ensure they are of the right standard for the owners.

The materials in the sail have been stressed by aerospace techniques to withstand the highest wind speeds. A smaller sail for *a yacht—Walker Wingsail is* keen to penetrate the leisure market—has been ordered by a Canadian businessman, and larger ones are being developed *for vessels bigger than the* Ashington.

Now that a wingsail has been installed on a commercial ship, the company aims to raise more money. The publicity from the 13-day hunger strike of Mrs Walker in October, 1984, obtained widespread support from small investors, *of which* there are around 340.

The company's new share issue has been sponsored by Dartington, the west country *merchant bank.*

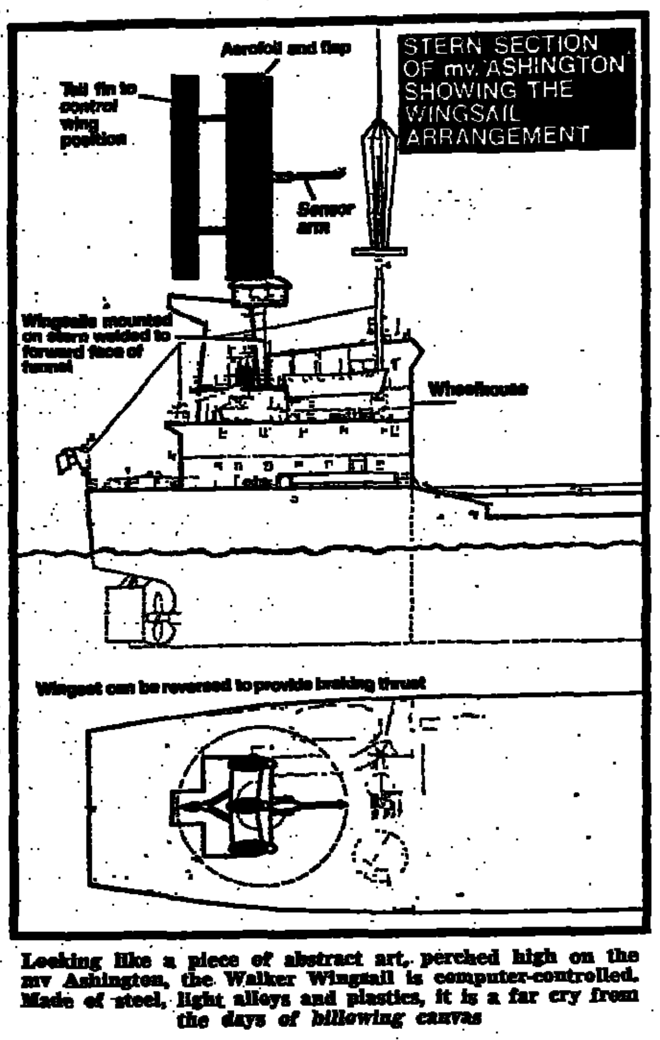
Mr David Johnstone, managing director of Dartington says, "We could never have put either our money, or that of our clients', into such a project until it reached the 'window of opportunity' stage." The order by Stephenson Clarke provided just that.

Even so, the prospectus warns of the potential risks, namely: unforeseen problems at sea; insufficient fuel savings by the sail, delays in selling more sails at the right price; and difficulties in scaling up the technology for larger sails.

Based in Southampton, Walker Wingsail plans to move to Falmouth. In developing the sail, the company benefited from £200,000 worth of grants from the Government and hopes for a further £741,000 of regional development grants after it moves.

Having got this far, the Walkers still have some way to go. "Even now," says Mr Johnstone, "we are talking of another three to four years before sensible profitability." The prospectus mentions a possible £25m market in wingsails within five years, with Walker's share about £10m.

"I wouldn't pretend this is an easy one," says Mr Johnstone of the Walker Wingsail share offer. "People will want to see what feedback comes from the Ashington." Whatever the success of the wingsail, it is unlikely to occupy more than a niche in the high-technology end of the shipping equipment market. But even that looked highly improbable a few years ago.



Looking like a piece of abstract art, perched high on the mv Ashington, the Walker Wingsail is computer-controlled. Made of steel, light alloys and plastics, it is a far cry from the days of *billowing* canvas

Canon puts filmless colour camera in the news

By Elaine Williams

CANON, one of the leading conventional 35mm camera makers in Japan, looks set to be the first into mass production with a filmless colour video system that displays still pictures. Other Japanese companies, Sony, Panasonic and Olympus have developed such systems but they are still not widely available. And Kodak is to launch a black and white filmless camera for industrial use.

Canon announced yesterday that its new RC701 will be put on the market later this year. It is aimed at news media and commercial applications. Although it is similar to a conventional single lens reflex camera and simple to use, it would take an extremely keen amateur photographer to pay the £8,000-plus the system is likely to cost.

Unlike a normal still camera, the RC701 stores images magnetically on a small *floppy disk, not* unlike those used for computer storage. The camera has an array of charged coupled devices which sense light intensity. This array produces an electronic image made up of 708 horizontal and 409 vertical picture elements.

Up to 50 still images made up in this way are then stored on the disk. They can either be played back and viewed on a television screen, printed out or transmitted down the telephone line and included in a newspaper, for example.

The system will be sold in the US and Japan later this year, with a European format becoming available in 1987.

Optical card trial by Sumitomo

WORTH WATCHING

EDITED BY GEOFF CHARLISH

OPTICAL MEMORY cards developed by Californian company Drexler Technology Corporation are being used in a cash-less funds settlement system by Sumitomo Bank in Tokyo.

Called LaserCard, they use similar technology to optical disks, allowing them to hold the equivalent of some 800 pages of A4 typed information, which is about 10,000 times greater than the magnetic stripe card commonly in use for bank and credit cards.

This allows them to store full details of say, point-of-sale transactions which can be processed monthly by the bank. They can be seen by the user on a suitable terminal so that he can manage his funds.

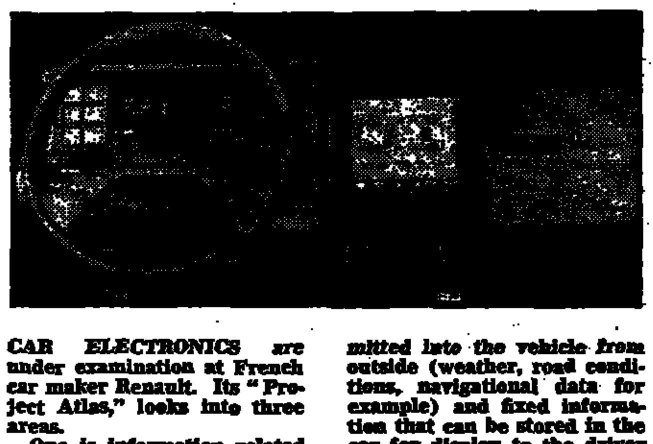
The Sumitomo trials will be in-house initially, for cashless shopping by staff in restaurants and snack bars. Point-of-sale terminals have been developed by Olympus Optical Company and personal computer data management units by Omron, both of Japan.

After six months, Sumitomo plans public trials which, using the massive data storage of the card, will also embrace personal asset management and documentation (for example, a photographic identification or finger print record, since the card can also store digitised images). Telephone call payment will also be possible at NTT (Nippon Telegraph and Telephone) card-reader phone boxes.

The Drexler technology was first announced in 1981, but applications have been a long time coming, mainly due to problems of developing sufficiently cheap read/write units. *Most of the world's* banks have opted *for* magnetic cards.

However, Toshiba, Nipponcoinco, Canon and Matsu*shita have shown units this* year and the total of companies licenced to use Drexler technology world-wide is now 22. Of these, 11 are in Japan, five in North America and five in Europe (Olivetti is the latest).

Non-banking organisations that plan to use the card are Pergamon Press for scientific publishing and Blue Cross in the US, where medical records are held on a card carried by patients for read-out in ambulances and hospitals.



CAR *ELECTRONICS are* under examination at French car maker Renault. Its "Project Atlas," looks into three areas.

One is information related to the vehicle that the driver must have (speed, etc), most of which appears on dashboard electronic displays.

The other two are available on a touch sensitive screen (the user touches menu sections of the screen to get further displays). They are information that is externally variable and has to be trans*mitted into the vehicle from* outside (weather, road conditions, navigational data for example) and fixed information that can be stored in the car *for* display to the driver (locations of all the Renault garages for example).

There is much collaboration with other organisations. For example, in car navigation Renault is working with Phillips, which is developing Carin (car information and navigation). This uses a compact disc unit to store and provide route information.

Electric motor faults are found on the run

ELECTRIC MOTOR fault diagnosis which can be carried out while the machine is running and can detect *several kinds of problems* by offered as a service by Inspectorate EaE Group of Yarmouth UK (0493 658541).

With maintenance costs on the increase and the necessity to keep down-time to a minimum (particularly in the continuous process industries), the company's ultimate objective is to monitor an electric motor by these "non-invasive" methods to a point where only two or three shut-downs in a motor's life are required.

By applying a current transformer to one of the three phase connections, the current waveform can be examined and the frequency content determined using a spectrum analyser. With *computer assistance from* a portable micro, a two-fan team can mathematically deduce what is wrong with the motor.

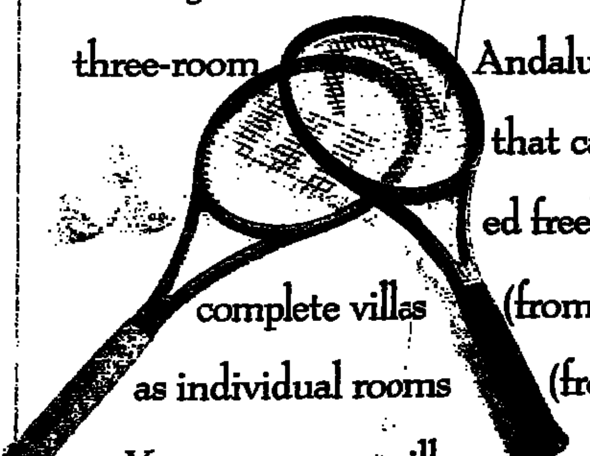
Faults in motor components that can be detected are broken rotor bars, rotor eccentricity, or air gap irregu*larities,* unbalanced magnetic pull and faults in stator windings.

In tests so far, 100 per cent success has been achieved in machine sizes ranging from a few kilowatts to 9.5 megawatts. Eventually, the company hopes to market a "do it yourself" expert system to big motor users.

As a great leisure investment, you'll find 36 holes in our argument.

Two championship golf courses that can lure Seve Ballesteros as touring professional are persuasive arguments in favour of El Castillo as an attractive investment prospect.

A planned luxury hotel complex, situated in the exclusive private resort of La Manga Club, El Castillo is an investment with a difference. Instead of hotel bedrooms, we're offering a limited number of self-contained three-room Andalucian style villas that can be purchased freehold, either as complete villas (from £160,000) or as individual rooms (from £55,000).

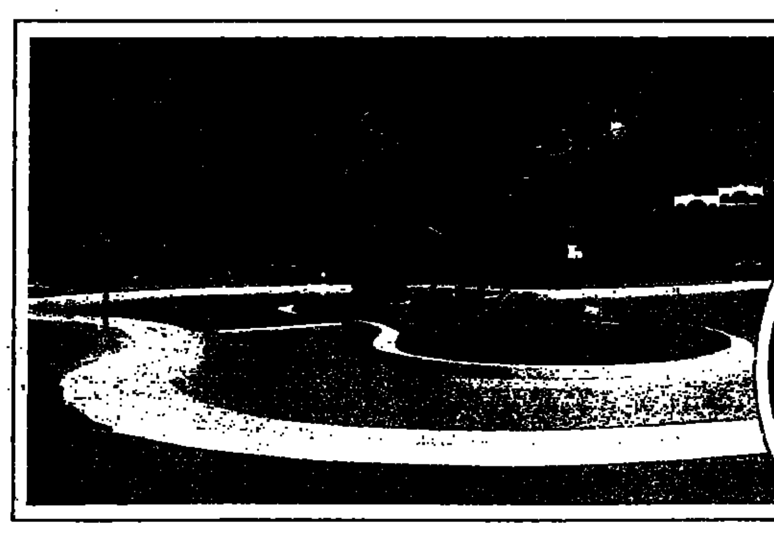


Your very own villa, one of a cluster cascading down the hillside, that have all the facilities and amenities of a five-star hotel, so you won't have to lift a finger (except when dialling for room service) when enjoying your vacation.

Owners can use their properties absolutely free for up to six weeks a year, though more time can be arranged if needed. For the rest of the year, units are rented out as hotel accommodation to bring in extra revenues.

Investors are guaranteed income for the first three years of operation, and thereafter a substantial share of pooled room revenues.

As to whether your investment is secure, the fact that El Castillo is owned and managed by European Ferries Group plc says it all.



In addition to the hotel's own facilities, each owner will have full access to those of La Manga Club. Apart from golf, within this carefully controlled development, there's the David Lloyd Racquet Centre, the only cricket pitch in Southern Spain, a beach club, a private cove on the Mediterranean, riding stables and much more.

If you're looking for a sound investment that generates both income and capital appreciation, and will give you a lot of pleasure, send for our brochure by filling in the coupon, or drop into our showroom opposite Harrods.

Perhaps you'd like to discuss it on the golf course.

Send to: El Castillo at La Manga Club, Silver City House, 62 Brompton Road, London SW3 1BW, Telephone: 01-225 2215.

Name (Mr/Mrs/Miss)

Address

Postcode

Telephone

LA MANGA Club

A wholly owned subsidiary of European Ferries Group plc

E L C A S T I L L O

APPOINTMENTS

Finance director for BAT Industries

Mr D. L. Slobom, previously finance director at The Wiggins Teape Group, has been appointed to the board of BAT INDUSTRIES as a finance director.

★

TRIPLEX has made two board changes: Mr James Doel, chief executive is appointed deputy chairman and chief executive. Mr Richard Phillips, managing director of Triplex's building components division, is appointed to the board.

★

Mr Gerald C. Bartlett is to join the board of SIMPLEX ELECTRICAL GROUP on August 1. He succeeds Mr P. O. Carruthers who retired in May, as director and general manager of the power centre division.

★

Mr Alex (W. A.) Chrzanowski of Rowntree Mackintosh has been appointed chairman and Mr David I. Ovenden of the Wellcome Foundation has been appointed deputy chairman and chief executive of AIRMIC.

★

Mr J. Beeke has been appointed a director of C. T. BOWRING AND CO (INSURANCE).

★

CROUDACE CONSTRUCTION, the contracting division of the Croudace Group, has appointed Mr Alan Rush a director of Croudace Ltd with responsibilities for construction and surveying.

★

RUSH AND TOMPKINS has appointed Mr Eric Goldie as managing director of its eastern region construction operation. Mr Goldie comes from John Willmott Group where he was initially a director of A. E. Symes and latterly western division managing director.

★

Mr G. A. Stanley, an executive director of A. G. STANLEY HOLDINGS; has relinquished this position to devote more time to his other personal business interests. He remains a non-executive member of the board.

★

Mr Lee Goldstone has been appointed managing director of both REGALIAN (URBAN RENEWAL) and REGALIAN DEVELOPMENTS. Mr Roland King, formerly a director of Corrall Contruction, has joined the group and has been appointed to the boards of both companies. The two companies are the main operating subsidiaries of Regalian Properties.

★

Mr Paul Temperton, gilt economist at Hoare Govett, will be joining MERRILL LYNCH EUROPE on August 4 1986 as chief gilt economist.

★

Mr Peter Dawson has been appointed managing director of MELBROS AUTO PANELS. He joins from Heatrae Sadia where he was director and general manager.

★

NETWORK SYSTEMS CORPORATION has promoted Mr Walt Miller to the position of vice-president Europe. Mr Miller moved to Network Systems' European headquarters, at Ascot as European general manager, from Worldwide headquarters in Minneapolis, in April 1985.

★

MANUFACTURERS HANOVER is expanding its London investment management operation. MHIML (Manufacturers Hanover Investment Management). Masterminding the expansion is the new chief investment officer (International), Mr Kent Pietsch who joins from State Street Bank in Switzerland. He also held a similar position with Continental Bank from 1978-1984. Other appointments includes Mr David Somers, deputy managing director and Mr Edward Dove, director.

Mr Kent Pietsch, chief investment officer (International) at Manufacturers Hanover

★

ELECTROVERT (UK) has appointed Mr Tony Holder as its financial director. He joined in 1981 as financial controller.

★

Mr John Burton has been appointed financial director of WINN AND COALES (DENSO). He joined the board from Fairey Engineering where he was financial controller.

★

Sir Keith Joseph has rejoined BOVIS, a wholly-owned subsidiary of the Peninsular and Oriental Steam Navigation Company, in a part-time capacity.

★

Mr D. A. Pease is to become chairman of CASSIDY DAVIS subject to the approval of the Committee of Lloyd's. Mr Pease, who became a member of Lloyd's in 1973, was one of the original members of Syndicate 582 when it was founded in 1977. Other management changes, which will enable Mr A. A. Cassidy and Mr W. J. Davis to give increased time to their commitments as underwriters will result in Mr J. C. V. Lang becoming managing director and Mr H. P. S. Wace being placed in charge of agency functions.

★

ADP FINANCIAL INFORMATION has made the following appointments: Mr Ralph W. Koehrer, managing director, Mr Ray Cambell, Mr Timothy Hart and Mr John McLeod, associate directors.

★

Mr Martin Copp is the new chairman of COOLMATION. He is also a director of Ocean Sound, Bowring Rose and Waring. Mr James Sexton, group finnace director of Southern Newspapers, has become a non-executive director.

★

At VOLEX GROUP Mr D. P. Beal has resigned as a director to take up a new appointment. Mr K. S. Hooper, a director and company secretary, is appointed finance director whilst retaining his position as company secretary.

★

Mr Gan Keng Hiok has been appointed to the board of PHICOM. He will replace Mr Wong Chew Swee as Magnum Corporation's representative.

★

Mr S. J. Tee and Mr R. D. Plant, joint managing directors of Compass Hotels, have joined the board of ANDREW WEIR HOTELS.

★

Mr James Scoble has been appointed a non-executive director of BERRY ASSET MANAGEMENT.

★

SINGER AND FRIEDLANDER has appointed Mr J. Ross Finnie as assistant director. He will be primarily responsible for corporate finance and based in the Glasgow office. Mr Finnie has served on the executive of the Scottish Council Development and Industry for nine years.

★

Mr Keith Lewis has been appointed marketing director of DEVONSHIRE LIFE. He was market development manager with NEL Britannia Assurance.

★

SOLAGLAS has made Mr Andrew Coles financial director of its newly inaugurated projects division. He was financial advisor to the chairman of Arabian Homes based in the Middle East.

★

JOHN BROWN ENGINEERS AND CONSTRUCTORS has appointed Mr Mike Nay as operations director, London. He played key roles in John Brown—Earl & Wright, becoming operations director in 1981. On its foundation in 1983, Mr Nay became managing director of John Brown Offshore Structures (JBOS). He will continue to act as managing director of JBOS.

★

MITSUI TRUST INTERNATIONAL, a new wholly-owned UK securities subsidiary of The Mitsui Trust and Banking Co. will open for business on July 1. The company will take over the bank's Eurobond underwriting activities which are now carried out by anoher securities subsidiary, Mitsui Trust Bank (Europe) SA, in Brussels. The managing director is Mr Iwao Sakuma, who has been transferred from the bank's London branch.

★

Mr Ian T. Robertson has been appointed managing director of NFC FORWARDING. He has been US sales director of Evergreen and managing director of Mitchell Cotts Freight Forwarding.

Mr Ian Robertson, managing director of NFC Forwarding

★

Mr Denis Keast has been appointed director, financial services, CANADIAN PACIFIC. Mr Keast, who will be based in London, will also assume the position of deputy secretary and registrar.

★

Following the acquisition of Lloyd's members' agents, Greenshore Underwriting Agents, W. S. MOODY HOLDINGS has appointed Mr W. S. Moody its chairman and Mr D. J. Avidon managing director.

★

Mr Clive Perkins has been appointed to the boards of IMBACH (UK) and DISASTER CALL. He was consultancy group head with the Insurance Technical Bureau in London.

مكان الأصل

Strategy team set up by Tories

By Our Political Editor

A SMALL group of senior Cabinet ministers has been set up by Mrs Margaret Thatcher, Prime Minister, to review the long-term development of policy beyond the next general election and into the 1990s.

The group's brief will include supervision of work on the new Conservative election manifesto (policy document), but its main task is to take a longer look towards the next decade, bringing together ministers concerned with foreign, economic and home affairs as well as the Conservative Party in parliament and the country.

The move has no implications for the timing of the next election which is unlikely to be before early summer next year and must be held within two years.

The group, whose formation was briefly announced by Mrs Thatcher at yesterday's Cabinet meeting, will be chaired by her and will also consist of Lord Whitelaw, leader of the House of Lords, Sir Geoffrey Howe, the Foreign Secretary, Mr Nigel Lawson, the Chancellor of the Exchequer, Mr Douglas Hurd, Home Secretary, Mr Norman Tebbit, the Conservative Party chairman and Mr John Wakeham, the Government chief parliamentary manager. Other ministers will be consulted on their relevant policy areas.

The group will have its first meeting next week, and will meet regularly. It will operate outside the government machine and will be serviced entirely by party officials. It will not consider present issues or departmental papers.

This move represents a much more fundamental review of policy than occurred before the 1983 general election, when there was merely a short-term group meeting on policy presentation, while manifesto preparation was under the control of Sir Geoffrey, then the Chancellor, and Mr Cecil Parkinson, the then party chairman. There has been, however, widespread criticism that insufficient attention was given to thinking out and discussing longer-term policy trends then, and this has contributed to some of the Government's problems since 1983.

Thatcher faces rising pressure over sanctions

BY PETER RIDDELL, POLITICAL EDITOR

THE POLITICAL pressures on Mrs Margaret Thatcher, the Prime Minister, over South Africa intensified yesterday as she faced fierce criticism from the Opposition in the House of Commons and was last night urged by a group of senior Tory MPs not to weaken in her resistance to economic sanctions.

The British Government wants to avoid making any early detailed commitments on the further measures against South Africa which are now being considered internationally.

After a brief discussion at yesterday's Cabinet meeting, ministers made clear that there might still be no decisive result from the EEC Heads of Government summit at the end of next week.

Some UK ministers hope that no specific measures will become known until after parliament rises for the summer recess towards the end of next month, before the Commonwealth leaders' summit in early August.

The divisions in the Conservative Party on the issue were underlined last night when a group of senior Tories saw Mrs Thatcher at their request for 45 minutes.

They included right-wingers such as Sir Patrick Wall, Mr Julian Amery and Sir Ian Lloyd, who were among the main signatories of a motion signed by over 80 backbench MPs resolutely opposing further economic sanctions.

The group's convenor, Mr John Carlisle, said it was a stiffening exercise in order to tell Mrs Thatcher of the strength of support for her view on the Tory backbenches and to reassure her that she was not isolated.

He said the group was "a little concerned that there may be a smokescreen going up of calling them measures instead of sanctions, and we want clarification on that."

The group also underlined the concern of a number of Tory MPs about the speech by Mrs Linda Chalker, the Foreign Office Minister, at the end of the Commons debate on South Africa on Tuesday.

Mrs Margaret Thatcher

Her reference for the need for South Africa to give "a democratic vote to each and every one of its people" has annoyed some senior Tories who believe that the effect will be to divide the Tory Party.

The group's request for the meeting with Mrs Thatcher was seen by some Tories as reflecting the apprehension of the right wing over the possible introduction of new measures. From the other direction, up to a dozen MPs, led by Mr Francis Pym, the former Foreign Secretary, abstained on Tuesday because they felt the Government was not doing enough.

After the meeting, Mr Carlisle said that Mrs Thatcher had been noncommittal, though "in a thoughtful mood." The MPs, he said, had put forward positive proposals, including encouragement to British employers to improve the lot of their workers in South Africa and for British help for the depressed areas of the country.

Government business managers believe that divisions within the party are not, so far, as serious as they might have feared a few weeks ago. But they are concerned about what might happen if tough new measures against South Africa were introduced.

During the angriest exchanges yet seen in the Commons on South Africa, Mrs Thatcher insisted that no industrialised Western country had done more than Britain to bring an end to the apartheid system.

AIRLINE STAFF INVITED TO TAKE UNPAID LEAVE

BA steps up drive to cut costs

BY LYNTON McLAIN

BRITISH AIRWAYS (BA) has stepped up its search for ways to cut costs in the face of continued uncertainty over passenger bookings this summer. It has requested all staff to consider taking three months' unpaid leave.

The staff will be informed of the unusual request in this morning's issue of British Airways News. Meetings between BA management and union representatives may also be called today to explain why the state-owned airline wants to cut its £600m annual wage bill.

BA said yesterday that the call to the workforce to help to reduce wage costs was "the latest move by the airline to minimise the effects of an industry-wide slump in traffic this year."

Mr Colin Marshall, BA chief executive, said: "Although traffic is now returning towards normal levels, the downturn of the past few months has had a serious effect on our business."

The summer is the busiest time for airlines. British Airways is anxious for profits to counter the lean winter months ahead of its long delayed but expected privatisation next year.

The 39,000 staff at BA are to be asked to consider one of three ways to cut the airline's costs. Staff who volunteer for unpaid leave will be encouraged to take between one month and three months off work. "Their job security will be guaranteed on return," BA said last night.

Secondly, airline staff will be able to reduce their working week by a few hours or days and will not be paid for the hours away from work. They will be expected to return to normal working hours in the autumn.

Thirdly, staff will be encouraged to volunteer "to help cover essential work in key operational areas on a full or part-time basis." BA said this was designed to give staff the chance to gain experience with a job swap to a key operational area for part of their working week without loss of pay.

The BA request contrasts with the action taken by the independent British Caledonian Airways (BCal) last month. BCal announced plans to cut 1,000 staff from its 9,000 workforce, to have fewer flights and to close four sales offices.

The BA scheme is to be open to all staff in the UK, subject to workloads in individual departments.

DAN-AIR is to introduce promotional fares between the UK and France, including an advanced purchase single fare of £95 between London and Toulouse and Montpellier.

The scheme is intended to fill the extra capacity provided by Dan-Air from the UK to Montpellier and to attract passengers for its increased frequencies of six services a week to Toulouse.

Passengers have to buy the tickets 14 days in advance of travel on Monday to Thursday. The fares will be available only between July 1 and October 31.

Dan-Air has reduced fares which do not require advanced purchase to Toulouse, Montpellier and Lourdes-Tarbes to £125 single. These fares are available until September 30.

Measures urged to prevent abuse of local government powers

BY RICHARD EVANS

WIDE-RANGING changes in the conduct of local government affairs to take account of the increased political polarisation in recent years have been recommended to ministers.

An inquiry chaired by Mr David Widdicombe QC, gives full backing in its report published yesterday to the present structure of local democracy, but puts forward 88 recommendations aimed at preventing the abuse of local power and giving increased rights to minority representatives.

Mr Nicholas Ridley, Environment Secretary, welcomed the "radical" report but he was non-committal on its contents. "The Government believes that the report will stimulate wide-ranging debate, wish to encourage that debate and to weigh its outcome before reaching a view." He called for responses by the end of the year.

Labour Party and trade union groups were highly critical of the report, however, and all the signs are that ministers have no intention of becoming embroiled in another bruising parliamentary conflict over local government. There is unlikely to be legislation before the next general election.

The inquiry was set up in February, 1985, by Mr Patrick Jenkin when he was Environment Secretary because of growing concern within local government and among ministers at the conflicts between central government and left-led local authorities.

These surfaced in battles over rates (local property taxes) and court judgments against Liverpool and Lambeth councillors for failing to set a legal rate.

Among the recommendations are statutory backing for a fair balance of political parties on council committees, strengthening of the role of chief executives and pay allowance for councillors from £1,500 to £4,000 a year based on size of authority.

It is also recommended that council discretionary spending limits should be raised and that local authority employees below rank of principal officer should be eligible to be councillors on other councils.

Money supply rise confirmed

By George Graham

BANKING officials remained puzzled yesterday about the rapid growth of the UK money supply as final figures failed to shed much light on the reasons for last month's surge in sterling M3, the measure of broad money targeted by the Government.

The Bank of England confirmed that sterling M3 rose by £3.9bn or 3 per cent in the May banking month, bringing its growth over 12 months to 19.5 per cent. The Government's target, set in March, was for 11 to 15 per cent growth in the 1986-87 financial year.

PSL2, a broader monetary aggregate which adds building society deposits to sterling M3, grew by £4.05bn or 1.7 per cent in banking May, taking its annual rate of growth to 17.6 per cent.

Offshoot of Gelco in £60m buy-out

By Andrew Fisher

GELCO, the US container leasing and transport company, has sold its big European trailer operation to managers and institutions for £60m in a deal which buy-out experts see as part of a growing US trend to sell off activities outside North America.

The buy-out of TIP-Europe, with the largest trailer and chassis fleet for rental in western Europe and a turnover of £25m, is one of the largest in the UK. Other large buy-outs from US groups are in the pipeline, according to investment houses specialising in the sector.

"We expect a substantial number of such deals from this direction," said Mr Roger Brooke, chief executive of Candover Investments. It was not involved in the TIP-Europe purchase, but arranged the £27m buy-out of the Simplex electrical engineering company from General Electric of the US late in 1984.

"As American companies prune their portfolios, especially after some of the recent mega-mergers, they often look at the distant ones." The problem was to find out which US groups were interested in selling foreign subsidiaries.

Gelco announced last summer that it wanted to sell TIP-Europe. It gave no reasons but is thought to want to concentrate more on its US-based activities.

The sale of TIP-Europe, a UK-based holding company with twin operational headquarters in Watford, north of London, and Amsterdam in the Netherlands, was handled by Citicorp Venture Capital, part of Citicorp of the US.

Mr Charles Gonszor, a director of Citicorp Venture, likened the change in US corporate attitudes to Europe to a periodic change in foreign policy.

GKN deal opens the way for unexpected steels exit

BY IAN RODGER

THE NEWS early this week that someone (as yet unnamed) is buying GKN Steelstock, Britain's largest steel stockholder, from the big engineering group, Guest Keen and Nettlefolds, has taken the industry completely by surprise.

For one thing, GKN, which has disposed of many businesses in recent years, including steelmaking, had made clear that it was happy to stay with steel stockholding. Only a very good offer would have made it change its mind.

For another, steel stockholding, while it sometimes has its attractions, is unlikely to be near the top of the list of any entrepreneur bent on acquisitions.

The industry, which first became significant in the 1960s, is based on the inevitable clash between steel producers' desires to make long runs of a particular shape or size of steel and customers' needs for a variety of shapes as soon as possible.

The stockholder, as the name implies, fits neatly between the two, buying in bulk and maintaining stocks of a wider variety of items than did the steelmakers. From the customer's point of view, it is more expensive to buy from a stockholder than direct from a mill, but at least he does not have to wait. Moreover, he does not have to maintain large and costly stocks of his own.

Stockholding very quickly found a substantial place for itself in the steel market. Today, nearly half of all steel delivered in the UK passes through stockholders.

The problem is that very few companies make good profits in this industry, mainly because there are too many competitors. Indeed, all you need to be in stockholding is a slice of land (preferably, but not necessarily, under cover) on which to put the steel, and a truck to shift it. And there are still many companies in that category. Nearly half the 200 companies that are members of the National Association of Steel Stockholding (NASS) have annual turnover between £1m and £5m.

Another problem is that steel prices have tended to be flat in recent years because of excess capacity in the industry, and no one expects this situation to change in the foreseeable future. Stockholders' best years have been those in which they have been able to make substantial profits on price increases.

According to stockbrokers Greene & Co, who follow the industry closely, the average profit margin of 50 leading stockholders in 1984 was 3.1 per cent. Only 10 had a return on capital greater than 20 per cent.

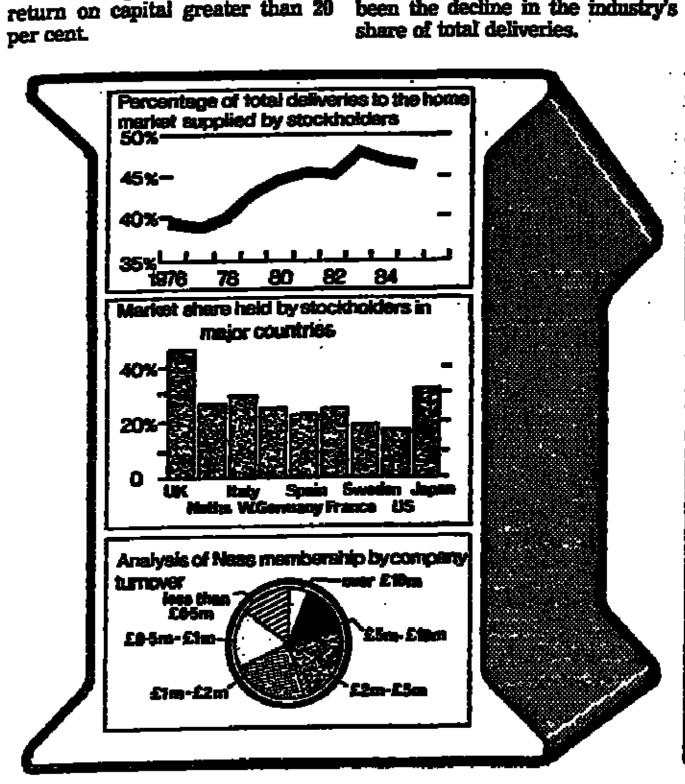
The leading stockholders have been attempting for years to break out of the low-margin, low value-added trap. Many provide additional services, such as cutting beams to length, slitting coils and drilling and coating steel. The big groups with several yards cut costs while maintaining service by using computers to keep track of stocks so they can reduce double stocking.

These trends are making it more difficult for the small companies to compete, and they are gradually disappearing or being acquired by the large groups. According to Greene & Co, the six largest companies in the industry, GKN Steelstock, British Steel Services Centres, C. Walker and Sons, Glynwed Steel, Brown and Tawse and Associated Steel Distributors probably account for more than half of all stockholder deliveries.

Unfortunately, the rationalisation in the stockholding sector is probably proceeding more slowly than the decline in manufacturing industry. At the annual NASS press meeting last week, industry leaders were uniformly gloomy about their prospects. "I worry about my customers, they are all disappearing," Bob McDougall, a director of Edward S. Johnson, in Newcastle, said.

Mr Tom Baxter-Wright, managing director of GKN Steelstock, was upset that in spite of the weakening of sterling against the D-Mark, UK steel prices had not risen this year. "The trend of return on investment is not what it should be," he said.

Another disturbing trend has been the decline in the industry's share of total deliveries.



UK NEWS

FINANCIAL TIMES/CBI SURVEY OF DISTRIBUTIVE TRADES

Retailers report improved sales

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

RETAIL SALES are beginning to pick up again, according to the latest Financial Times/Confederation of British Industry survey of the distributive trades.

"After a disappointing spring, when sales were hit by poor weather, retailers enjoyed better business in May and expect sales to improve further in June," commented Mr John Salisse, chairman of the survey panel yesterday.

He pointed out that this contrasted sharply with government figures released earlier this week which suggested that retail sales grew more slowly in May after record sales in March and good sales in April.

"Members of the survey panel believe that sales in March and April were depressed by the poor spring weather and that the official statistics for those months do not reflect the underlying trend," he said.

"This may have resulted from problems of seasonal adjustment to allow for the very early Easter."

Overall, the survey shows that clothing shops are most optimistic about the level of June sales with shoe shops also more confident. "Earlier in the year, sales of summer footwear were hit by the unseasonal weather," said Mr Salisse. "Grocers and retailers of durable household goods are also doing well."

The survey, in which a total of 521 companies took part from the retail, wholesale and motor trades, was carried out between May 21 and June 10.

Some 65 per cent of the 288 retailers in the survey reported that sales volume in May was higher than in the same month last year, while 16 per cent reported it down. This gave a positive balance of plus 49 per cent (subtracting the pessimists from the optimists). In April the balance was plus 22 per cent.

When asked about their expectations for June, a balance of plus 52 per cent expected higher sales than the same month last year.

The survey shows that orders placed by retailers with their suppliers were much better than expected in May. The balance placing increased orders rose from plus 19 per cent in April to plus 37 per cent in May, the highest for six months.

A balance of plus 25 per cent in expectations for June suggests slower growth in orders, partly because stocks are still considered excessive although less so than in March and April, reflecting the improvement in sales.

Growth in imports by retailers as a proportion of deliveries from their suppliers eased substantially in May, the survey reveals. The balance of retailers reporting imports higher than a year ago fell from plus 11 per cent in February (the last time this question was asked) to plus 2 per cent in May, the lowest for over two years.

Off-licence drinks shops, however, continued to report strong increases in imports compared with a year ago. Three sectors reported lower import penetration than in May of last year: footwear and leather shops; specialist food shops; and retailers of household textiles and furniture.

The balance of retailers expecting to authorise more capital expenditure in the next 12 months than over the past year rose to plus 21 per cent in May, having fallen to plus 16 per cent in February. Retailers of durable household goods were the most positive, followed by grocers and off-licences.

Retailers in general appeared slightly more optimistic about their overall business situation in May than in February. The balance expecting an improvement in the next three months rose to plus 40 per cent, from plus 36 per cent in February and plus 34 per cent last November. Off-licences again appeared the most positive, followed by grocers and clothing shops.

Most retailers continue to report selling prices higher than a year ago.

Maxwell abandons hope of using French DBS satellite

BY RAYMOND SNODDY

MR ROBERT MAXWELL, publisher of Mirror Group Newspapers, has effectively given up hope of using a French direct broadcasting satellite (DBS) to launch a new European television service.

In March, Mr Maxwell announced that the four-nation consortium behind the European Satellite Television Broadcasting Corporation had a legally binding agreement with the French Government for two of the four channels available.

It now looks extremely unlikely that Mr Maxwell and his other partners, who include Mr Silvio Berlusconi, the Italian media entrepreneur, will be able to use the French satellite TDF-1.

New French audio-visual legislation announced last week made it clear the French Government intends to cancel the satellite concession awarded by the previous Socialist government and renegotiate the price of the channels.

Although Mr Maxwell has not yet had any formal notification from the French Government, he is already looking for alternative ways of setting up a Europe-wide satellite service to individual homes, hotels and cable television networks.

Last week Mr Bryan Cowgill, deputy chairman of Mirror Group Newspapers, had exploratory talks with Atlantic Satellite, the US-owned company which is planning to launch a DBS service in Ireland. Pictures from the Irish satellites would also be picked up over most of the UK but would not give the sort of European coverage Mr Maxwell wants.

Mr Cowgill, a former managing director of Thames Television, is also looking at the possibility of using the medium-power Luxembourg satellite SES which is scheduled for launch next spring.

It is believed that Mr Cowgill is conducting a detailed six-week study to assess alternative options now that the French deal is no longer a realistic possibility.

Mr Cowgill would only say yesterday: "We and our partners remain committed to plans to be in the forefront of direct satellite services in Europe."

Austin Rover launches new recruitment policy

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

AUSTIN ROVER, the state-owned BL's volume cars company, is introducing a radical labour recruitment policy. Job applicants will undergo a two-day assessment during which their families will be encouraged to attend and discuss the aims of the company.

The move forms part of an initiative, announced yesterday by Mr Andy Barr, managing director (operations), to "further improve the enthusiasm of employees towards the company and its key objectives."

The company will progressively implement a "working with Pride" programme in its factories over the next two to five years. Mr Barr said: "We need to change attitudes, not just behaviour patterns. We need total involvement to ensure the quality and reliability of our product."

Mr Barr said the initiative had already been put into practice at Cowley, Oxford, for the 1,200 workers assembling the new Rover saloon to be launched on July 10. Employees had been selected after "a total assessment including interviews, team involvement exercises and practical exercises."

The three-week induction training course had included "imparting information about the company, its corporate objectives and standards."

Mr Barr said the numbers involved on the new Rover had been too great to involve families but this would be done in future recruitment. The two-day assessment would probably take place over the weekend.

Fathers and mothers or wives and children would be encouraged to attend.

Mr Barr, the man responsible for implementing the new production technology at Austin Rover, stressed that people were crucial to its success.

Mr Barr said it did not mean a change in management philosophy. The company's reputation for toughness had come from the need to take hard decisions and axe plants and jobs. "We have not gone soft. Our management remains firm but fair."

Daf unit raises profits by 49% to £3.4m

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE UK subsidiary of Daf Trucks of the Netherlands lifted taxable profit by 49 per cent from £2.28m in 1984 to a record £3.4m last year, Mr Roger Phillips, the managing director, reported yesterday.

Turnover rose by 11 per cent, from £67.6m to £75m.

Mr Phillips was speaking after a cermony to mark the start of the building of a £7.5m headquarters and parts distribution centre for Daf Trucks (GB) at Thame in Oxfordshire.

Mr Aart van der Padt, chairman of both the Netherlands group and the UK subsidiary, pointed out that Daf started marketing its vehicles in Britain only 13 years ago but the UK was now the company's largest export market.

Last year a record 2,988 Daf heavy trucks were registered in the UK (up from 2,594 in 1984) to give the group a 10.5 per cent share of the sector for trucks over 15 tonnes gross weight, against 9.7 per cent in 1984.

Daf sold 157 coaches last year, against 160 in 1984.

The design and build contract for the new Daf headquarters was awarded to Willett, part of the Trafalgar House Group. Work on the 10.2 acre site should be completed next summer.

The 166 employees at Daf's present headquarters, 20 miles away at Marlow, have all been offered jobs at Thame and 165 new jobs will be created by 1990, some 35 of them immediately.

Daf (GB) employs a further 35 people at Colchester in Essex, where three years ago it completed a £3.5m pre-delivery inspection centre.

Oil stocks dip by nearly 6% in first quarter

BY WALTER ELLIS

OIL STOCKS in the UK fell by £206m at 1980 prices in the first quarter of this year as refiners sought to limit losses incurred by the recent oil-price collapse.

The rundown – equivalent to nearly 6 per cent of the level of stocks at the start of the year – almost wiped out the rise in stockbuilding in the fourth quarter of 1985.

Over the last few weeks, there has been some recovery in the position as stockholders have adjusted to the new pricing levels and adopted positions on future trends.

The first-quarter figures, released yesterday by the Department of Trade and Industry (DTI) are the first confirmation of a pattern that had been widely anticipated.

In other sectors, the DTI figures mainly confirm the provisional estimates for the first quarter given out last month. There was an increase of some £315m in wholesalers' stocks compared with the end of the last quarter of 1985, and a rise in retailers' stocks of £95m. Manufacturers' stocks fell by £115m.

Young executives plan course for industry

BY ANNA HEALY FENTON

THE CONFEDERATION of British Industry (CBI) launched "Vision 2010" yesterday, a 21-strong group of young executives who will work together navigating a course for the future of British industry.

The team of 19 men and two women, with an average age of 31, have been chosen by the CBI from large and small UK companies to produce a vision of British industry to the year 2010 and beyond.

The group's objectives are to study the trends of the social and economic environment worldwide and to define the products and services which the UK should be providing, and to identify changes needed to the way that business is organised.

Sir Terence Beckett, CBI director general, believes that the long lead times involved in technological and manpower development and in changing attitudes meant that it was vital to begin now.

"Too many in Britain tend to bumble through. We have a deeply entrenched belief that it will be all right on the day."

"The Japanese think ahead and plan extremely successfully. We must do the same. Much of their success can be attributed at least in part to their development of visions of the future, and of strategies to achieve those goals."

He added that the senior management who would be leading British businesses into the 21st century, now only 14 years away, were today's young executives. The CBI had decided to get a group of people under 35 who had shown by their achievements that they would be the future leaders in industry and commerce. The problem was now being put to them on how to shape the future.

Their study would cover labour and manpower questions, natural resources, cultural shifts, expectations of the quality of life, attitudes to work, leisure and the environment, and the distribution of wealth, including Third World matters.

Sir Terence Beckett: "vital to start changes now"

The group will present an interim report to the CBI's tenth annual conference in Bournemouth in November, and a final report in May 1987.

Insurance heads for recovery

BY JOHN MOORE

SIGNS OF recovery in the business cycle of the British insurance industry have been revealed by the Association of British Insurers. The association, reporting the aggregate results of 429 insurance companies operating in Britain, said that the overall trading loss in 1985 on general business was £9m – compared with £83m a year earlier.

Last year saw the first trading loss for decades, but the fortunes of British insurers have since improved in many classes of business.

Mr Brian Corby, chairman of the association, a trade body representing the interests of British insurers, said that the improving trends in fire and accident business in Britain, where underlying underwriting losses had been reduced from £485m to £388m, were given impetus by insurers reducing underwriting capacity in this area because of the extent of the losses. Premium rates were also rising.

The association has presented its figures showing the underwriting results – the difference between insurance premiums and claims – and the overall results, which take into account the investment income earned on the premiums paid to insurance companies. In 1985 British insurers earned £2.2bn on their premiums compared with £2.14bn a year earlier.

Many companies do not show how much investment income is earned on each class of insurance business so the profit trends among the business segments are more difficult to assess.

Taking into account investment income, fire and accident business in the UK may have shown a profit for many companies, but in the US the underwriting losses, although reduced, were still running at high levels. Losses of £395.9m represented 22.8 per cent of premiums compared with a loss of £515.2m (27.2 per cent of premiums) a year earlier.

On motor insurance the association reported record underwriting losses in the UK among its members. Losses increased from £227.6m in 1984 to £367.1m in 1985, which represented 17.1 per cent of premiums.

Mr Corby said that motor underwriters had no option but to introduce substantial premium increases. Motor underwriters said yesterday that rates were rising 20 per cent. Over 1984 and 1985 the rates had been rising between 6 per cent and 15 per cent.

He gave a warning that there was little prospect that the increases on motor insurance would stop until claims costs and the frequency of claims had stabilised.

A geographical analysis of the business mix of British insurers showed that premium income from the US market fell in the last year by more than 6 per cent to £3.2bn as insurers sought to be more selective in the business they accepted at a time of mounting losses.

Total invested funds of the British insurance companies in 1985 were £171bn, compared with £144bn a year earlier. According to association the life insurance industry in Britain enjoyed a buoyant year, particularly in insured pension schemes.

UK premium income from all classes of long-term insurance business, including occupational pension and life insurance schemes and permanent health insurances increased by some 11 per cent to £14.8bn. The total life insurance funds, which represent the accumulated savings of millions of policyholders, stood at over £140bn providing investment income of £9bn.

MPs give warning on 'collusive' fraud threat

By Christian Tyler, Trade Editor

MPS HAVE rebuked the state-run Export Credits Guarantee Department (ECGD) for not being more alert in the past to the possibility of exposure to fraud.

A report by the Public Accounts Committee of the House of Commons published yesterday says the department should have taken more care "in particular as regards new customers and exports to countries with foreign exchange controls. "We are especially concerned about the scope for collusive fraud," the committee adds.

The MPs have, however, accepted the ECGD's assurance that "press allegations of frauds involving ECGD business are grossly exaggerated." They welcome the recent creation of a special fraud unit within the department.

In the course of oral evidence to the committee, Mr Jack Gill, ECGD secretary, referred to a court case at present being heard in which fraud of some £3m is being alleged.

He agreed with one member of the committee that the ECGD had paid out less than £10m in fraudulent claims.

Parliamentary interest in the ECGD has been intensified by the Johnson Matthey Bank (JMB) affair. Yesterday's report noted the ECGD statement that it had referred some matters to the police and that a number of cases were being looked at which had not reached the claims stage.

ECGD had not issued any guarantees for loans made by the bank, "though they could not rule out the possibility that exports financed by JMB loans had been insured by them."

Any such cases, says the report, were quite separate and distinct from JMB loans alleged to have been used to circumvent Nigeria's exchange control system. Some press reports have suggested that the ECGD was facing losses as a result of fraud of several hundred million pounds.

28th Report of the Public Accounts Committee: Export Credits Guarantee Department; House of Commons Paper 214. HMSO, £4.

Royal Ordnance seeks to rebuild morale after delay in flotation

BY LYNTON McLAIN

THE GOVERNMENT waited until the 11th hour before biting the bullet this week and postponing, indefinitely, the privatisation of Royal Ordnance, the state arms and munitions company.

The decision was taken by a Cabinet committee, chaired by the Prime Minister, on Tuesday, despite persistent denials from Downing Street on the day that ministers had met to decide on the privatisation of Royal Ordnance.

Now Royal Ordnance has the task of rebuilding morale among its staff after the shattering of expectations, built-up carefully ahead of flotation with the prospect of imminent share ownership for its 20,000 staff.

This task is likely to be all the more difficult because Royal Ordnance was asked by the Ministry of Defence (MoD) to "examine alternative options to flotation, including the possible sale of parts of the company to the private sector."

This is the "sell-off" option most feared by unions in Royal Ordnance and is likely to rekindle their opposition.

Mr George Younger, the Defence Secretary and sole shareholder of Royal Ordnance, hid behind a written answer to inform MPs of the Government's decision on Tuesday. This was exactly five weeks to the day before Royal Ordnance was to have sold the company.

The company and its advisers had planned for some months to offer the shares for sale on July 23. This later turned out to be the date of the wedding of Prince Andrew and Miss Sarah Ferguson. Royal Ordnance considered this was not the best day to sell arms shares.

The date was brought forward by a week and subsequently put back to July 22 after RO detected signs that Whitehall was having second thoughts about a flotation.

Mr Bryan Basset, the chairman of Royal Ordnance and former chairman of the Philip Hill Investment Trust, had had a meeting with the Defence Secretary at which he was confidently expecting a rubber stamping of the plans for privatisation.

Instead, Mr Basset came away with Mr Younger's opinion that it had not been possible to take the process of transforming RO into a fully fledged commercial entity far enough, nor to have in place all the features needed to provide the basis for a flotation this summer.

ROYAL Ordnance comprises 16 factories and research establishments, divided into four operating divisions. These operate as autonomous profit centres under Royal Ordnance plc.

The small arms division has factories at Enfield on the outskirts of London, where the British Army's new short rifle is made; at Radway Green, Cheshire, where most of the small arms ammunition is made; and at Powfoot in the south of Scotland which makes the propellant for bullets.

The ammunition division comprises munitions factories at Glascoed in Wales; and Featherstone, Chorley, Blackburn, Patricroft and Birtley in the north of England.

The explosives division is located at three sites which are mainly research establishments, with the main explosives factories at Bridgwater, Somerset, and Bishopton, near Glasgow.

The weapons and fighting vehicles division has sites at Leeds and Nottingham.

The turnover of Royal Ordnance as a whole in a full year is between £440m and £500m, with pre-tax profits for last year expected to be about £25m.

The issue before the Cabinet committee was whether to go ahead with the privatisation of Royal Ordnance. This decision was dependent upon whether the Government could risk the political storm of breaching its own competitive tendering policy for defence equipment contracts to ease the last remaining worry by RO management ahead of privatisation. This was that its tank factory in Leeds, Yorkshire, would be out of work by the end of next year.

The committee had to decide if Royal Ordnance should be given, without a competitive fight, an order for enough Challenger tanks to re-equip a seventh armoured regiment of the British Army of the Rhine.

The army has had this requirement for almost two years but although the money, believed to be around £100m, is understood to be budgeted for the current financial year, the MoD has so far refused to invite open, competitive tenders for the 70 or so tanks involved.

This led to the intervention by Sir David Plaistow, the chief executive and managing director of Vickers, the UK's only maker of main battle tanks apart from Royal Ordnance. He expressed his concern that Vickers had not been invited to bid for the Challenger tank order.

Royal Ordnance and its City of London advisers had pre-empted the Vickers' intervention by telling the MoD that it might as well drop its plans for a flotation if its Leeds factory was not given the desperately needed Challenger order.

The company regarded the Challenger order as "absolutely essential" to the chances of a successful stock market flotation next month, or indeed at any time in the next two years until the Leeds factory has diversified into new products as well as tanks.

Leeds is the main source of armoured vehicles in Royal Ordnance. But these represent only 23 per cent, or £73.4m, of RO total turnover of £319.3m in the nine months to January 1 last year, the last published accounts of RO as a government trading fund in the MoD. This compares with ammunition sales that accounted for almost 45 per cent of turnover.

Despite the relatively small turnover attributed to armoured vehicles, RO was highly sensitive about the future of the Leeds factory. The factory is already down to its minimum economic production level, making six Challenger tanks a month from a previous order for the British army. This compares with the factory's peak output of 38 Centurion tanks a month in the 1950s at the time of the Korean war.

The privatisation team at the MoD feared that RO, only 18 months after its transformation from a civil service organisation to a public limited company, probably had production costs at Leeds that were too high to subject the company to the full rigours of competitive tendering so close to the sale of its shares.

Vickers Defence Systems on Tyneside in north-east England, the only potential UK competitor, moved into its new Armstrong works three years ago with an enviably low breakeven point on armoured vehicle production. It has not made, however, any Challenger tanks, so tool-up costs could be high if it had been awarded the contract.

The former Vickers arms factory at Elswick, like Royal Ordnance at Leeds, had a breakeven production rate of six tanks a month. The new Vickers factory claims to be profitable when making only two tanks a month.

RO told the MoD that, without the latest Challenger order, Leeds would probably have to close, despite the company's efforts to diversify into military bridging equipment, light tanks and possibly sharing work with Royal Ordnance at Nottingham, the UK's only large-bore gun works.

The costs of this possible closure of Leeds would have to be included as a financial provision in the annual accounts of RO and in the prospectus for the offer of shares.

This was likely to depress the financial return to the Government from the sale of Royal Ordnance, a return already halved to between £150m and £200m since the privatisation plan was announced 2½ years ago.

The Government had to calculate whether it was better value to place an uncompetitive contract with Leeds, and so avoid the closure costs for future shareholders or for the MoD, or to place a contract after open competition with Vickers.

Open competition, RO argued, would have to take account of the added costs to Vickers of tooling-up to make the Challenger and its secret Chobham armour for the first time. The Government, it said, would get a lower price for the sale of Royal Ordnance, reflecting its slimmer order book and its lower asset base, as well as the costs of closing Leeds, if diversification plans had not been realised by the end of next year.

The possible competitiveness of Vickers was underlined a year ago, when the company won a £60m order for armoured repair and recovery vehicles to rescue Challenger tanks broken down or stuck in the mud. The contract came after competitive tenders by RO and Vickers.

Vickers is in this respect dependent upon Royal Ordnance, which owns the intellectual property rights to the designs of the recovery vehicle.

Internal dissensions in the MoD contributed to the disorderly run-up to this week's postponement of the flotation.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Consumer products

Glen dimplex: rising to market adversity

Christopher Parkes on the expansion of an electrical appliance maker

MARTIN NAUGHTON does not believe in flagpoles or doormen. Nor does he have much time for electronic calculators.

His aversions bear witness to his dislike and mistrust of all forms of corporate titivation. His attachment to the careworn slide rule which graces his desk is more a testament to his training as a hands-on mechanical engineer than any evidence of his slipping behind the times.

In their way these foibles have each contributed to the development of his private company, Glen Dimplex, based at Dunleer, in Co Louth, in the Irish Republic, into one of Europe's leading independent electrical appliance companies.

Starting with a modest £120,000 bankroll of mortgages, government support and bank loans, Naughton set up Glen Electric in Newry, Co Down, in 1973. The unpromising Northern Ireland location apart, he could not have chosen a worse time to start. The first energy shock was breaking and those prophets who noted his modest venture forecast disaster. A company established at that time solely to manufacture domestic electric oil-filled radiators in direct competition with Dimplex, which had the market to itself, was not expected to prosper.

The workforce had increased from 24 to 200 and sales had risen almost 30-fold to £2m by 1977 when Naughton made his first major advance. He paid cash to take Dimplex—which had crumpled in the recession —off the receiver's hands.

A raft of acquisitions followed, including the Dunleer works of AET, his now-defunct former employer, Brunner, a leading name in French heating, Belling heating, FCF—a design and development subsidiary of GKN and Chilton, best known for shaver sockets.

Last year Burco Dean Appliances and the Blanella electric blanket business were absorbed, along with Morphy Richards, one of the best known small appliance brands in the UK. Sales this year are expected to be well over £100m from a huge range of products which includes toasters, fan heaters, catering equipment, cooker hobs, towel rails, fuel effect fires and an iron built to a 1936 design. A fifth of turnover comes from exports to 30 countries. All but 5 per cent of the company's products and components are made in-house.

Picking his way through the industry over the years, Naughton has developed a strong feel for the source of its difficulties and an insight which has played a large part in developing his management style.

● The electrical appliances business, he maintains, has been carved up, not by Far Eastern makers, but by high-cost producers in Europe. Naughton prides himself on his workmanlike, low-cost factories. "All 10 production centres are profitable in themselves," he says. Each individual product must also show a profit. "If not, we attack from an engineering base, cutting production costs. If this does not work we put prices up and leave it to the market and the consumer. If necessary we let the market kill it."

● UK manufacturers have fallen behind in product design, he says. Naughton hired a top designer at the outset—even before he had an accountant on the payroll. He now has about 100 design and R&D staff in the group and wants more, paying constant attention to even the most workaday of his products. His storage heaters, for example, were 24 in wide 10 years ago. Now they stand 6 in from the wall. Naughton himself was responsible for a sleek new convector heater which is £2 cheaper to produce than its older equivalent.

● Competitive pressures have stifled capital investment, Naughton claims. His philosophy has always been to spend on production.

This principle was most recently applied when the company was preparing its first new products for the Morphy Richards name. Naughton ordered his engineers to make no compromises. "Even if none of the old components could be used it did not matter ... we go from scratch if necessary," he says. This leaves no slack for fripperies. "We don't have doormen or flagpoles outside."

● Remote, top-heavy, centralised management has also contributed to the decline of the industry. Naughton strives to run his group as a collection of small businesses, aiming to keep the workforce at each factory down to about 250-300, to allow local managers to keep in close contact with the workforce. The headquarters management team numbers five, including a secretary.

He and his deputy, Lochlann Quinn, consider they allow individual company managers a generous amount of room in which to operate. Once a month they "walk the land" attending each operating company's board meeting. Beyond that there are no formal committees or other meetings apart from contacts between the three-man main board and a once-a-year session when all senior management lock themselves away from the telephone, usually abroad, to draft a three-year strategy.

"We never pull the ownership strokes," promises Quinn. "The managing directors have enormous power. Our only demand is that they inform us of major decisions . . . and they must not surprise us."

Each company drafts its own annual budget for approval at headquarters. Over-ambition appears to be the main problem among operating company managers, and occasionally it has to be reined in.

Once complete, the budget is "absolutely sacrosanct." Then it is up to individual managers. "They have a very strong incentives scheme based on the bottom-line profit of their operation and control of working capital. A large part of their income depends on their controlling both," says Naughton, although money is not everything. "We also offer excitement and freedom to manage."

They are acutely aware of the responsibilities which go with the freedom, and some of their experiences have left a sour taste. Quinn is particularly bitter about walking into certain ailing businesses which still maintained "fat" overheads at head office. There, he recalls, the management policy appeared to be: "You can shaft the factory, but you can't shaft your mates."

At no stage has Naughton revealed what he paid for his acquisitions, but he is clearly a cautious man, not given to profligacy.

The subject of company finance takes on a fresh dimension when investment, overheads and acquisition cash come ultimately out of the executives' own pockets.

"Every Monday when we come in we know the cash basis of the company," says Quinn, who was hijacked in the early days from his job as head of the audit department at Arthur Andersen's Dublin office. "We keep up a three-month rolling forecast with the fourth month on a weekly basis. We always know if there are any little shocks up ahead of us."

The company also keeps in close contact with its Irish and City bankers, meeting them twice a year with formal presentations. "This is vital for our policy of responding quickly to acquisitions or calls for investment," Quinn declares. "They know as much about the business as we do. Some say they know too much."

At Christmas 1973, when Martin Naughton was just setting up Glen Electric, he noticed a brand new Dimplex oil-filled heater in his parents' home. "I make heaters like that," he protested. "I would have given you one." "Yes," replied his mother, "you're a good boy, but we wanted a good one."

As a private "cash-in-the-bank" company with no long-term debt, Glen Dimplex has a refreshingly straightforward approach to acquisitions. "One of the first questions asked is: 'Do I prefer to have £5m in that company or in my bank account?' Writing a cheque concentrates the mind," says Quinn.

Concentrating the mind is now clearly a vital element in management strategy. The empire has grown rapidly. It specialises in difficult niche markets which are often saturated if not declining, and, with the development of Morphy, it is moving off its base in heating into fashion-sensitive consumer products, such as kettles, which are increasingly the domain of large multinational groups like Philips and Allegheny International. Demands on its three-man main board and cheque-book are increasing.

However, more acquisitions seem irresistible. Even though the group is little known outside its sector, it is now one of the first stops for the troupes of merchant banking hawkers seeking buyers for private companies and unwanted appliance subsidiaries of quoted groups.

Naughton and Quinn still relish the thrill of doing a deal. "I feel a bit itchy now," Naughton admits. "I think we need to look at the next step." Already discussing joint ventures in heating elements in West Germany, Spain and Italy, he says: "I'm drawn like a pin to a magnet to Europe and the US.

"We have been opportunistic in the past. Now we are more strategic . . . but that doesn't mean to say that if the opportunity presents itself we won't be off like a streak of lightning."

Next time, the opportunity will have to be a sure payer, he insists. "I will not make any acquisition which could do fundamental damage to the group." Buying Dimplex was the last and only time in his life, he promises himself, when he put all his chips on the table.

The group also has to allow for its grand ambitions for Morphy Richards. Plans to build on its base as UK market leader for toasters and irons are already well advanced. "Turnover at Dimplex increased from £8m to £60m in eight years. We want to do the same again," Naughton says.

The process started with a change of management. After a spell at the Morphy tiller "to learn the language," he recently handed over to a former chief executive of Creda, the TI Group appliances subsidiary.

Fruits of the second stage—getting the products right—reach the shops next month, following a swift £1m development, design and tooling programme in which Naughton the engineer and chief toaster-tester was again personally deeply involved.

The follow-up is a costly three-year plan to extend the range to make the most of the famous name. "Morphy Richards is the most under-traded brand in the market. It is a household name . . . not just in the kitchen," Naughton says, hinting at wider ambitions. He plans £2m capital investment for the Yorkshire company this year and is counting on possibly spending at that rate for three years.

The pressure seems to be considerable. The group's portfolio contains some sleepier brands like Burco Dean, which could also benefit from a re-launch. Naughton is tempted to extend his interests in consumer electronics—at present limited to radios.

Another company might choose to prune down the cumbersome range, but Glen Dimplex's solid record of making its products work makes this a difficult option for Naughton and Quinn to accept at present.

And all the while they are diverted by new opportunities and offers of other companies for sale. Although they resolutely stick to their "small business" philosophy, it has been greatly modified over the years. The group has expanded far beyond Naughton's initial aim of limiting the company to £1m turnover a year in a single specialist market.

Acquisition and diversification have already taken the company through three or four different cultures, Quinn says. "I would hesitate to say now that I know how to run a £500m company," Naughton admits, looking ahead with apparent if uncharacteristic trepidation, and perhaps giving a hint of his next target.

Melding pieces of an industry

"THERE is more fluidity in the electrical appliances business than I have ever seen. And we have not seen the end of it," says Michael Montague, chairman of Valor.

Like Martin Naughton, he has been busily picking up the pieces of the industry and melding them into a coherent whole under his company banner. Like Glen Dimplex, Valor has its base in heating appliances. It, too, is branching steadily outwards in a logical progression which, Montague says, will make it a major force in household appliances of all types.

Valor's former strength in paraffin heaters helped it as it developed in the gas market, making heaters, fires, then cookers. Moving on into electrical heating, it launched its first electric cooker earlier this year.

Acquisitions and developments include the Heatrae Sadia water heating business, Heatrod elements, catering equipment and commercial refrigeration. More recently, having gained experience with electrical products, it has begun to follow a path parallel to that of Glen Dimplex.

A flurry of acquisitions in the past two years has brought it Dreamland electric blankets and small appliance companies like Monogram, Breville, best known for sandwich toasters, and Magimix, a leading name in food processors.

From their different starting points, the two companies have become the most energetic in the British market. Their paths began to merge in the 1970s when Glen outbid Valor for Dimplex.

Their rivalry apart, both companies have developed similar business tactics.

● Both are hungry for good brand names which they can develop at home and overseas. Naughton, declaring himself "in love" with Morphy Richards sees no limit to the possibilities for the names. He has, for example, installed a Teflon, non-stick coating plant, which gives some hint of his intentions.

Apart from talks with European element makers, he has also won a huge contract to make certain appliances for an internationally famous company.

Montague's Dreamland company makes electric blankets for Philips, and the group is also forging links with equally well-known names in West Germany and Japan.

● Both concentrate closely on their core businesses, another factor which helps them, as specialists, to develop joint-venture contacts with other companies.

● Both have ambitions overseas. Morphy Richards, which is well known all over the Commonwealth, already has a firm base. Valor has happened on a strong market in the US. "Gas companies there have got gas coming out of their ears and are rushing around selling appliances like mad," says Montague.

● And both shrug off the threat from multinational competition like Allegheny International of the US — known best for its Rowenta and Sunbeam brands, and Black & Decker, which recently launched a range of small appliances on the back of its position as European market leader in power tools.

Allegheny's recent results suggest it may have overreached itself. "Its financial situation is such that someone is going to take it over, rather than the opposite," says Montague. Indeed, Allegheny, together with joint parent, Rothmans Deutschland, has just sold Rowenta to Chicago Pacific of the US, which owns the Hoover brand.

He also believes B&D has an uphill task persuading women, who buy most small appliances, to transfer their allegiance from the brands they know.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
20	21	22	23	24	25	26

Exhibitions

PARIS

From Rembrandt to Vermeer: 60 chefs d'oeuvres on loan from the Mauritshuis trace a panorama of 17th-century Dutch painting with Vermeer's View of Delft with genre paintings, still lives and landscapes. Grand Palais. Ends June 30. (4261 5410).

French Masters of the 19th and 20th century: The catalogue of the yearly Robert Schmit exhibition reads like a Who's Who in painting. There are five Boudins, the gallery's speciality, Caillebotte, Cézanne, Van Dongen, Fantin-Latour, Odilon Redon and even Soutine grace the walls with bouquets of flowers while Chagall has a flowering tree in his red-toned sunset. Degas has a study of two dancers and a fiery coloured oil of a nude combing her hair. There is a large composition by Derain from the late 1930s, the Painter And His Family grouping in a surprisingly realistic rendering – his wife with a book, his niece, his sister-in-law, family cat and himself in the centre before an easel with a brush in his hand.

The strong point of the exhibition is a Picasso painted in 1900, a scene of typical Spanish figures in expressive attitudes and striking colours in front of a wine shop. As a counterpoint there is a stylised Woman in a Rocking Chair dated 1956 with the same strong orange, black and blue summing up Picasso's artistic development. Galerie Schmit, 396 Rue Saint Honoré (4260 3636), closed Sun and lunchtime. Ends July 19.

Hispano-American Silversmith's work: The 150 exhibits on loan from the Buenos Aires municipal museum cover three centuries and are the result of the combination of the legendary riches of the Peruvian mines with the exuberance of colonial craftsmanship. Silver – beaten, chiselled, filigreed – accompanies everyday life. For the gaucho there are silver stirrups and cruel looking spurs. There are delightful perfume-burners in shapes of animals and maté cups for traditional herbal infusions decorated with endlessly inventive flower motives. As for liturgical objects, religious fervour tends to make the ornate baroque style rather overpowering. Louvre des Antiquaires, 2 Place Palais-Royal (4297 2700). Ends Sept 8.

WEST GERMANY

Bayreuth, Iwalewa-Haus, Münzgasse 9: Art and Culture from the Congo and Zaire. About 300 paintings, cult and practical objects from the Colonial period to today. Ends June 29.

Hamburg, Kunsthalle, Glockengiesserwall 1: Renaissance of the North. 110 German and Dutch paintings on loan from the Paris Ecole des Beaux-Arts. Among the artists are von Bouts, Dürer and Goltzius. Ends June 29.

Düsseldorf, Kunstmuseum, Ehrenhof 5: Otto Pankok (1893-1966). The Passion; 60 huge charcoal drawings by the German expressionist covering 1933-34. Ends Oct.

Esslingen, Galerie der Stadt, Villa Merkel, Pulverwiesen 24: Art from East Germany in the 80s. Paintings, graphics and plastics. With 185 works by 37 different artists, the exhibition offers an impression of East German modern art. It is the first major exhibition by East German artists in West Germany. Among the painters exhibited are Gerhard Altenbourg, Hermann Glöckner, Angela Hampel, Hubert Giebe, Willi Sitte and Bernhard Heisig. Ends June 29.

LONDON

The Royal Academy: The 218th Summer Exhibition – the art exhibition for too long held to be of more social than aesthetic importance has, over the last 20 years, returned to its rightful place at the centre of the British art world, neither avowedly avant garde nor at all academic, in any perjorative sense, but simply seriously professional. Newer members include David Hockney, R. B. Kitaj, Eduardo Paolozzi and John Hoyland, all exhibiting this year. With the open submission, the exhibition adds up to nearly 1,600 works of all kinds.

BRUSSELS

Musée Royale d'Art et d'Histoire: Taiwan-based painter Wong Liu-Sang. 40 paintings, of which 10 are by his pupil Chen Sian-Nan form this painter's first European exhibition. The artist will demonstrate traditional Chinese painting on June 18. Ends June 29.

Magie de Verre: Belgian stained-glass windows through the ages. CGER. Ends July 13.

Cartoons on the theme of the theatre, circus, opera and cabaret. Maison de la Bellone. Ends June 28.

ITALY

Venice: Palazzo Grassi: Futurism and Futurisms: Fiat opens its art centre on the Grand Canal with the largest exhibition to be devoted to the Futurist Movement, a movement born in Italy, and the first to exalt technology, and to try to convey speed on canvas. More than 300 works have been lent. The paintings are mainly from 1909-18, but there are also sections devoted to literature, theatre, music, architecture, fashion and furniture, showing futurism's influence up to 1930. Ends Oct 12.

Florence, Palazzo Medici-Riccardi: Picasso Engravings (1904-71). Examples of the techniques with which Picasso experimented – etching, aquatint, linocut and engravings and often mixtures of several. One oil is included: the infinitely sad and gentle Harlequin, painted in 1917, the year in which Picasso started designing sets for Diaghilev's Russian Ballet company, and the year of his first visit to Florence. The model is the dancer, Leonide Massine. The first etching is the chilling Frugal Meal done the year that Picasso settled in Paris (1904). The Dove lithograph (1949), adopted as the symbol of the world peace congress, several irreverent reinterpretations of Cranach and Rembrandt, portraits of Jaqueline, Françoise and Paloma and various mythological subjects are included. Ends June 22.

Florence: Palazzo Pitti (Sala Bianca): Mary Magdalene: Saint and Sinner: An inspired exhibition based on the contrasting aspects of the character of Mary (who symbolises both sin and redemption) as seen by artists as diverse as Titian (the glorious Mary Magdalene of Noli Mi Tangere) to Guttuso and de Chirico, via the gloomy and often despairing figure of many of the 19th century paintings. Ends Sept 7.

Rome: Villa Farnesina (National Print Gallery) Via Della Lungara 230: Baroque Decorative Drawings: The National Print Gallery is rightly proud of its collection of over 150 drawings. The exhibition includes designs of extraordinary exuberance and delicacy: decorations for the posterious and door-panels of coaches, table centres, picture frames, and the draped scallop-shell coach-bed pulled by mermaids and sea-horses, designed by Bartoli, for the birth of the first child of Princess Maria Colonna in 1663.

NETHERLANDS

Amsterdam Historical Museum. Cor Jaring's photographs of Amsterdam in the restless 1960s, from Provos to dockworkers, happenings to street markets, and an eventful royal wedding. Ends June 22.

Utrecht, Catharijneconvent. The legends and facts surrounding the life and voyages of St Brendan, the 6th-century 'Irish Odysseus', are examined with the aid of fancifully illuminated manuscripts and early printed books. Ends August 10.

SPAIN

Madrid, Claude Monet (1840-1926): The greatest living French artist, as he was called, was an innovator who revolutionised the course of modern painting by playing a leading part in the creation of a new artistic movement: impressionism. 125 paintings on loan from private collectors and museums from all over the world will offer a good overview of his different artistic periods with a prominent representation of his most famous period at his home at Giverny. Meac – Museo Espanol de Arte Contemporaneo, Avenida Juan de Herrera 2. (449 71 50). April 29 – end June.

Barcelona. Max Ernst retrospective includes 125 works of the dadaist and surrealist painter. Fundacion Joan Miro, Parc Montjuic. Ends June 29.

Madrid, References and Identities. An encounter of prestigious international artists welcoming the inauguration of a new art centre in Madrid: Centro Reina Sofia, Santa Isabel 52. Ends Sept.

Madrid, Post Minimal gathers works of North American sculptors on loan by Whitney Museum in New York, complementing the recent exhibition of British sculptors last February in the same premises. Palacio de Velázquez, Retiro Park. Ends July 20.

NEW YORK

Japan House: Burghley House, with the earliest known record of Japanese porcelain in Europe, provides a touring exhibit that will visit the High Museum in Atlanta and then Japan through 1988 with 205 Japanese and Chinese objects dating from the 16th to the 18th centuries. Ends July 27.

Museum of the City of New York: Arbit Blatas's paintings, drawings and sculptures of Three Penny Opera covering 12 scenes and 11 characters, were inspired by the historic Theatre de Lys production in 1954 starring Lotte Lenya. Ends Oct 15.

Picasso Sketchbooks (Pace Gallery): Opening a 14-city international tour, the 200 drawings, water colours and notes from 45 of Picasso's 175 cahiers give insights into the artist's methods and preliminary work on such famous paintings as Les Demoiselles d'Avignon, Rape of the Sabines and Mother and Child. Ends Aug 1. 57th E of Madison.

Whitney Museum: The largest exhibit ever mounted of Shaker design shows off the strong, simple lines in the furniture, tools, textiles and graphic design of one of the great American Puritan cultures that remained separatist and intact for more than a century. Ends August 31.

WASHINGTON

Hirshhorn Museum: 75 works of the California sculptor Robert Arneson presents the glazed ceramics he pioneered in what became the Funk movement in the 1960s with its irreverent view of other artists, contemporary artefacts and art itself. Ends July 6.

National Museum of American Art: 68 Pueblo Indian water colours from between the world wars recreate the ritual animal dances among other disappearing tribal customs. Ends August 17.

CHICAGO

Art Institute: Famous as a fashion photographer, Richard Avedon undertook a five-year project to capture the American West in the tradition of nineteenth-century photographers such as William Henry Jackson. The results are "a fictional West", Avedon claims, with outsized portraits of Americans ranging from a rattlesnake roundup to county fairs. Ends August 3.

TOKYO

Tang Three Colour Glazes: Ceramic vessels and figurines excavated from burial mounds of the Tumulus period in their characteristic brown, green and blue glazes. Idemitsu Art Gallery, 9th floor of the Kokusai Building, above Imperial Theatre. Ends July 6.

Civilisation along China's Yellow River: 136 exhibits of large bronzes and ceramics from 2000 BC, subject of recent excavations, portray something of the wealth of civilisation along this important river (known as China's Sorrow from the havoc it wreaks through its frequently changing course). Particularly interesting are the miniature ceramic models of people and aspects of peasant life, providing the human element normally missing from exhibition of museum objects. Good English labelling.

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper: Rigoletto, produced by Hans Neuenfels, will have its premier this week. The cast includes Ingvar Wixell in the title role, Barbara Hendricks and Dano Raffanti. Salome, conducted by Heinrich Hollreiser, has Lisbeth Balslev, Ruth Hesse and Ingvar Wixell in the main parts. Tristan und Isolde stars Ingrid Bjoner, Ruth Hesse, Spas Wenkoff and Martti Talvela. Don Giovanni rounds off the week (34381).

Hamburg, Staatsoper: The concert version of Boito's Mefistofele with Gabriela Benackova, Galina Savova and Samuel Ramey (351151).

Frankfurt, Opera: Die Entführung aus dem Serail features Faye Robinson, Julie Kaufmann, Peter Blochwitz and Uwe Peper. The week also includes Hans Zender's opera Stephen Climax, produced by Alfred Kirchner. Don Pasquale has Barbara Bonney and Bodo Schwanbeck (25621).

Cologne, Opera: Cendrillon, sung in French, has Ann Murray excelling in the title role. Orfeo brings Kathleen Kuhlmann and Teresa Ringholz together (20761).

Stuttgart, Württembergisches Staatstheater: Der Liebestrank stars Lucia Aliberti and Luis Lima. There was much praise for Jenufa when it opened. Also Manon Lescaut and Don Giovanni (20321).

PARIS

Die Zauberflöte in Marcel Bluwal's production tries to show the shaft of optimism shining through the complexity and contradictions of Mozart's work which combines philosophical depth with the Burlesque at the Opéra Comique (432 9606 11).

Salammbo alternates with Don Quixotte in Rudolf Nureyev's choreography and production adding a playful element of Commedia dell'Arte and a lovers' intrigue to the original opera created by Petipa in 1869 to music by Minkus. Paris Opera (42665022).

Mozart Festival – Don Giovanni is co-produced by the Orchestre de Paris, Washington Opera and the Theatre des Champs Elysées, conducted by Daniel Barenboim, Orchestre de Paris choir conducted by Arthur Oldham in Jean-Pierre Ponnelle's production at the Théâtre des Champs Elysées (47234777).

The Wuppertal Tanztheater is bringing two works by Pina Bausch with her violence in deciphering human nature and her tenderness in understanding it to the Théâtre de la Ville (42742277).

ITALY

Milan, Teatro alla Scala: Eugene Onegin conducted by Seiji Ozawa and directed by Andrei Konchalovsky, with Mirella Freni, Elena Zilio, Benjamin Luxon (alternating with Angelo Romero), Neil Shicoff (Peter Dvorsky), and Nicolai Giaurov. Le Martyre de Saint Sebastien, Debussy, conducted by Sylvain Cambreling and directed, and with choreography by Maurice Béjart (80.91.26).

Milan: Teatro Nuovo: The age of Debussy: New ballets danced by Maurice Béjart's ballet du XXième Siècle, with choreography by Marco Berriel, Bertrand d'At, Michel Gascard and Kyra Kharkevitch to music by Claude Debussy, Alban Berg, Erik Satie and Arab/Andalusian music (41.82.66).

Turin: Teatro Regio: The Dance Theatre of Harlem in works by choreographer Arthur Mitchell (548.000).

Naples: Teatro di San Carlo: Carla Fracci and Georghe Iancu in Prokofiev's Romeo and Juliet, with choreography by Roberto Pascilla (41.82.66).

Florence, Maggio Musicale Fiorentino: Teatro Comunale: Tosca in a new production by Jonathan Miller conducted by Zubin Mehta, with scenery and costumes by Stefanos Lazaridis. Cast includes Eva Marton (alternating with Sofia Larson), Giuseppe Giacomini, Silvano Carroli and Italo Tajo (27792236).

Spoleto: (29th two worlds' festival). Teatro Nuovo: Giancarlo Menotti's La Santa di Bleecker Street conducted by Tzimon Barto and directed by the composer (33.111).

NETHERLANDS

Amsterdam. Carre. Wagner's Die Meistersinger from the Netherlands Opera and the English National Opera directed by Elijah Moshinsky and designed by Timothy O'Brien, with the Concertgebouw Orchestra conducted by Edo de Waart. Soloists William Johns, Kathryn Bouleyn, Norman Bailey, Jard van Nes (Tue). (225 225).

Amsterdam, Concertgebouw: Luciano Berio conducting a concert performance of his opera La Vera Storia with the cast from the Florence production, including Livia Budai, Valeri Popova, Milva, Roland Nolan and Lajos Miller, the Rotterdam Philharmonic and Le Groupe Vocal de France (Wed). (718345).

SPAIN

Barcelona, La Traviata rounds off spring season with Alfredo Kraus and Edita Gruberova. Gran Teatre del Liceu, Sant Pau 1. (318 9277).

VIENNA

Staatsoper: Orpheus. Ballet by Hans Werner Henze, Tosca: Carmen with Baltsa, Borovska, Gyldenfeldt, Winsauer, Carreras: Turandot with Jones, Ricciarelli. (53 24/2655).

Volksoper: Polenblut: Giustino: Madame Pompadour: Die Zauberflöte: Hello Dolly (53 24/2657).

TOKYO

Ballets Trocadero of Monte Carlo, the all-male troupe in their parodies of classical ballet. The evenings' selections include scenes from Swan Lake, Les Sylphides, Saint-Saëns Dying Swan. Kani Hoken Hall, U-Port, Gotanda (400 9999).

Theatre

LONDON

The Normal Heart (Albery): Tom "Amadeus" Hulce is playing the crusading hero of Larry Kramer's hysterical melodrama for a three-month season, as public concern over the Aids epidemic increases. (836 3878 credit cards (CC) 379 6565).

Orphans (Apollo): Last chance to catch explosive collision of acting styles between Albert Finney and two of Chicago's Steppenwolf artists in implausible, guilty drama. (437 2663). Until end of June.

Anthony and Cleopatra, The Taming of the Shrew (Haymarket): Vanessa Redgrave as Cleopatra and Katherina leads brave West End presentation and astonishes still with her elemental talent, especially as Cleo. (930 9832 (CC) 240 7200).

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

Blithe Spirit (Vaudeville): Susan Hampshire and Joanna van Gyseghem have now joined Simon Cadell in this enjoyable Coward revival. (836 9987).

Troilus and Cressida (Barbican): Provocative RSC production set vaguely in the Crimean War with Juliet Stevenson refusing to play Cressida false but riveting just the same. The bumptious 1950s Merry Wives continues in repertoire. (628 8795).

Dalliance (Lyttelton): Tom Stoppard's new version of Schnitzler's Leibelei is a crushing disappointment only partly redeemed by Brenda Blethyn as the ruined working girl. A theatricalised travesty of the work adds to the confusion of middle-aged actors playing boyish dragoons in Peter Wood's numbingly respectable production. (928 2252).

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592).

When We Are Married (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhouse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is a drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (930 7765).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Interpreters (Queen's): Love among the diplomats, according to Ronald Harwood has a superb role for the matchless Maggie Smith renewing a cross-cultural affair with Edward Fox in the shadow of a summit between The Soviet Union and Britain. Fluent direction by Peter Yates of the West End's best new play of the year. (734 1166).

Lennon (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

Are You Lonesome Tonight? (Phoenix): More musical hagiography with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's magnificently wrecked and flabby King in crushed velvet jumpsuit has reached this pretty pass. Exploitative, but not strictly for tourists. (836 2294).

ITALY

Spoleto (Two World's Festival): Teatro Nuovo Festival opens Ingmar Bergman's production of Strindberg's Miss Julie. (33 111).

NETHERLANDS

Amsterdam, Stadsschouwburg. English Speaking Theatre of Amsterdam repeats the successful run of Orton's Entertaining Mr Sloane directed by Grant Coburn (Fri, Sat, Tue to Thur). (242311).

Amsterdam, Bellevue. Théâtre Sapajou of Paris with Vermeer et Spinoza by Gilles Ailland (Sat). (247248).

Children's theatre at the Krakeling, Amsterdam (Nwe Passeerdersstr. 1). Backa Theatre from Gothenburg with L'Histoire d'un soldat directed by Eva Bergman with music by Stravinsky (Sat, 2 perfs). The Porte Lune company of Paris in A l'Ombre des Géants written and directed by Michel Lopez (Tue to Thur, matinees). (245123).

Amsteram, Stadsschouwburg. Social satire from the Théâtre de la Salamandre of Lille in Les Crachats de la Lune (Mon, Tue). (242311).

Amsterdam, Frascati. Théâtre de la Tempête of Paris with Rêves de Kafka directed by Philippe Adrien (Mon, Tue). (235723).

Amsteram, Suikerhof Theatre (Prinsengracht 381). The Hall Family presents Old Time Music Hall, with songs to make you sing and jokes to make you weep (Fri, Sat, Thur). (227571).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

Loot (Music Box): John Tillinger directs this high-spirited revival of Joe Orton's 1966 macabre farce featuring Zoe Wanamaker as the homicidal nurse who romances a widower while burying his wife and conniving with their thieving son to hide the body. (239 6200)

WASHINGTON

The Caine Mutiny Court Martial (Eisenhower): Charlton Heston and Ben Cross star in the military courtroom drama written by Herman Wouk. Ends July 6. Kennedy Center (254 3670).

CHICAGO

Orchards (Goodman): *Seven American playwrights, including Michael Weller and John Guare, interpret Chekhov short stories for an inspired evening of performances by the Acting Company which made the commissions.* Ends June 29. (443 3800)

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

TOKYO

Buried Child: The Japanese version of Sam Shepard's play, directed by Roger Pulvers, with Goro Naya, Nijiko Kiyokawa. Part of a short season of Sam Shepard plays. Parco Space Part 3, Shibuya. Evening performance daily plus matinees at weekends. (477 5858).

Last Frankenstein, by one of Tokyo's most dynamic avant-garde troupes, Dai San Erotica. Written and directed by Takeshi Kawamura, it contains several typical Japanese elements, not least the plot (scientists pitting their wits to create super human beings in the wake of a world suicide epidemic), and style (fast-paced, quick-change movie action, destructive images, aggression). Untypically, though, the troupe has some serious concerns at the basis of its work. Next year it has been invited to Europe. Suzunari Theatre, near Shimokitazawa Station. Nightly performances, with matinees at weekends. (369 1127).

The Music Man: the Japanese version of the Broadway hit, directed by Koichi Saito. Starring Goro Noguchi and Gajiro Satoh. Hakunhinkan Theatre, near Ginza Exit of Shinbashi station. Playing nightly with matinees at weekends. (571 1003).

Music

ITALY

Rome: Villa Medici (French Academy): (Baroque Music Festival): On Monday, the Ensemble 2e 2m playing music by Giraud and Cavanna, and on Tuesday. Electric Phoenix Purcell, Landovsky, Messiaen and Gabrieli. (6561271).

NETHERLANDS

Amsterdam, Concertgebouw. The Netherlands Philharmonic conducted by Antoni Ros-Marba, with vocalists and choir. Beethoven (Mon). Daan Admiraal conducting the Free University Orchestra, with Jan Wijn, piano, and Piet Hulsebos, organ. Berlioz, Ravel, Saint Saens (Thur). (718345).

Marie-Claire Alain on the organ of Amstrdam's Waalse Kerk. Bach, Couperin, De Grigny (Thur). (AUB Leidseplein).

NEW YORK

Merkin Hall (Goodman House): American Composers Orchestra. Paul Dunkel conductor, Perry Robinson clarinet. Laura Karpman (world premiere), William Mayer, Gary M. Schneider, Elliot Sharp (world premiere), Elias Tanenbaum (world premiere) (Mon); William Powell clarinet recital with Virko Baley piano. Joji Yuasa, Kathleen St. John, Virko Baley, Valentin Silvestrov (Tue); Robert Herring baritone recital *with Stanley Sonntag piano.* Quilter, Duparc, Strauss, Tosi (Wed); Japanese Music Ensemble of New York. Works by Ronnie Selden and traditional Shakuhachi repertoire (Thur). 67th w. of Broadway (362 8719)

WASHINGTON

Summer Festival (Concert Hall): Highlighted by a visit from the Newport Folk Festival in August, this summer-long string of popular singers and musicians includes recital performances by Neil Sedaka, Shirley Bassey, Dionne Warwick and Petula Clark. Ends Aug 27.

TOKYO

Bruno Riguito (piano): Chopin, Schumann, Debussy. Tokyo Bunka Kaikan Recital Hall. (Mon) (237 9990; 354 0101).

Patrick Gallois (Flute): J. S. Bach, Tchaikovsky, Mozart. Tokyo Bunka Kaikan Recital Hall (Tues) (235 1661; 237 9990).

Miha Enjho (Flute): J. S. Bach, Mozart, Taffanel, Reinecke. Ongaku no Tomo Hall. (Tues) (571 1689).

Tokyo Symphony Orchestra, conducted by Kazuyoshi Akiyama, with soloists and chorus in Schoenberg's Gurrelieder. Tokyo Bunka Kaikan. (Thurs) (362 6764).

Reitei Yoh (Piano): Beethoven, Chopin. Tokyo Bunka Kaikan Small Recital Hall. (Thurs) (285 6361).

Contemporary Music Concert: works by foreign composers include David Loeb's Concerto Suite. ABC Hall, near Shiba Koen subway station. (Wed) (378 4741).

Cinema/Nigel Andrews

Horror strikes in broad daylight

House directed by Steve Miner
Silver Bullet directed by Daniel Attias
King David directed by Bruce Beresford
Lord of the Danes directed by Richard Kohn
Blue Mountains directed by Eldar Shengelaya

House is a wonderful horror film; witty, unnerving and inventive. Produced by Sean S. Cunningham (who directed *Friday the 13th*) and directed by Steve Miner (who directed that movie's next two sequels), it proves what I have long suspected: that if you allow imaginative gore merchants the freedom to get their more visceral urges out of their system early in their careers, they may come up with something startling, distilled and truly poetic later. By contrast, if you crab their careers with censorship from the start, you will get *nothing* to offend and also nothing to surprise or excite.

In *House* a young writer (William Katt) takes up lone residence in a clapboard-Gothic town house, lately vacated by his aunt who hanged herself, to write a book of memoirs on the Vietnam war. Soon the place is crawling with spooks, and flashbacks and fantasies of Vietnam collide with more homegrown ghouls. Our hero's mind starts to fray. So—unless we are careful—do our own.

The movie maps out its tale with familiar landmarks of the horror yarn. There is a batty old lady (the aunt), a dismembered hand, a "creature" in the closet, and a walking corpse. What is original is the way the film's imagery conflates personal and national nightmares, family bereavement with the collective bereavement of Vietnam. And what is also original is the tone. It is funny while being deadly serious—there is none of the stale, self-congratulating parody of the spoof horror film—and it is frightening while never spraying us with blood or mobilising gratuitous sharp instruments.

The old horror tropes are refreshed by being subverted. The creature behind the closet door, far from leaping out at the drop of a violin-shriek, is shy to show himself: especially when Katt and his nonplussed but helpful neighbour (George Wendt) line up a battery of cameras to catch him on film. The walking corpse, a slain Vietnam buddy, is at once horror-comic-absurd and eerily human. And the ubiquitous severed hand takes on an uproariously ghastly life of its own.

Late in the film it attaches itself, large and gnarled, to the back of an unsuspecting little boy, son of a visiting neighbour (Mary Stavin). This sustained scene of comic-chilling by-play—neither mother nor son seem to have noticed and Katt wonders if he is hallucinating—is one of the memorable disorienting moments in modern horror cinema. Like so much great horror, it takes place in broad daylight, it happens without melodrama and it has you palpitating on the edge of your seat.

★

This is more than one can say for the cliché-riddled *Silver Bullet*. Based on a Stephen King "novelette," this concerns dreadful doings in the small town of Tarkers Mills. Who is ripping people apart on nights of the full moon? Is he, she or it a werewolf? First an old tramp wandering the railtracks is decapitated, then a pregnant woman is shredded in the privacy of her own bedroom. Perhaps the nice young boy in the wheelchair (Corey Haim), his sister (Megan Follows), or their big, cheerful, Bourbon-guzzling uncle (Gary Busey) could solve the problem?

Why not? Someone must. Time is running out. Ten minutes have gone by and already the audience is looking at its watches. I am not spoiling any suspense—there is none—by telling you that the werewolf is none other than the Reverend Lowe (Everett McGill). He comes over all hairy and toothy during his monthly periods. He gibbers when the moon is gibbous. And he is killed just at the moment when he is trying to be of most public service, by destroying the last members of the cast.

This is dull, foolish, predictable stuff: screenwritten by King on an off day and directed by Daniel Attias with large amounts of inert or empty space in each shot, as if he already has one eye on the film's frame-chopped video future.

★

And behold, the prophet Samuel visited Paramount Pictures in a dream and said: "Why not make a movie of *King David?* I say unto you, it could star Richard Gere, revive the Biblical epic and make a fortune at the box office."

And Paramount heeded the words of the prophet. They signed up Richard Gere and they sent far and wide for a director meet unto their wishes. And their choice fell challengingly upon Australian Bruce Beresford, hitherto known for small, intimate pictures like *Breaker Morant* and *Tender Mercies*.

Richard Gere as the eponymous King David

And the production unit went unto Italy, there to film the story of David son of Jesse, who slew Goliath, loved Jonathan, stole the beauteous Bathsheba and ascended to the throne of Israel, succeeding Edward Woodward. And the film deployed many significant international talents; production designer Ken Adam, Donald McAlpine of the lens of many colours.

But the blessing of the Lord was not upon it. It took many weeks to film, it cost many shekels, it died at the US box office and was almost shelved. Many months later it limped over to England.

And Paramount said unto themselves, "Where did we go wrong?" And the film prophets known as critics answered as one, saying, "You have wrought a turkey; you have made a Biblical epic which does not sound good or look good, nor does it touch the heart nor ignite the mind."

And the film prophets, especially he of the pink newsbringer, castigated the film's tendency to drop Biblical quotations all over the place regardless of where in the Bible they came from. "Am I my brother's keeper?" quoth Absalom's brother Amnon, mistaking himself for one of the sons of Adam. And "My God, my God, why have you forsaken me?" cries Saul (Mr Woodward), many generations before He who came after made the line famous.

In short, and landing back in our own vernacular, the film is a mess. The photography is erratic, the battle scenes inchoate, the acting often risible. In the film's absurdist centrepiece Mr Gere takes the laconic line in the Book of Samuel, "And David danced before the Lord with all his might" (after the death of Jonathan), as a cue to cavort hip-shakingly, arm-pistoningly along the public streets as if auditioning for a John Travolta movie.

★

Religious lore is also to the fore in Richard Kohn's documentary *Lord of the Dance*. No Travolta-style cavortings here, however, as the camera records the austere rites of Tantric Buddhism in a Tibetan monastery. Fascinating for the student. Less so for the layman. But who cannot admire the sand *mandalas*, those rainbow-hued sand patterns painstakingly designed for the fetival of Mani-Rimdu? Or the *toras*, those steepling sculptures of barley-flour dough painted with coloured yaks' butter, no less? There are more things in Heaven and Earth than are dreamt of in Fanny Cradock's philosophy. . . .

Also at the ICA, Eldar Shengelaya's tender Russian comedy of bureaucratic manners *Blue Mountains*—like an Ealing Studios movie adrift in Georgia—is well worth a visit.

Guelph Festival

Andrew Porter

Fifteen years ago I told in these pages of the Guelph spring festival and its production of *The Burning Fiery Furnace*. Guelph is a small university town about an hour's drive from Toronto (named for the British royal family in 1827 and not renamed in 1914 because there was already a Windsor in Ontario). It is reached as easily from New York as is Glyndebourne from London (and hardly more expensively if you catch the cheap air fares in time).

Guelph's spring festival, conceived and directed by Nicholas Goldschmidt, provides varied musical and dramatic fare, with an annual opera. All Britten's parables, *Acis*, Gluck's *Orpheus*, *The Beggar's Opera*, Argento's *Postcard from Morocco*, and an occasional Canadian piece, have been done. Last year, Robert Carsen produced *The Prodigal Son* (the second Guelph presentation of the piece), and this year he returned to produce the Canadian premiere of Peter Maxwell Davies's *The Lighthouse*.

The Lighthouse was introduced to this continent in Boston, in a powerful staging by Peter Sellers. It has been done in Philadelphia. The Fires of London brought its instrumentally superb but theatrically amateurish touring production to New York last year, and a San Diego Opera production has been held. Different producers have found different strengths and have given different emphases to the potent and disturbing opera. Carsen's vision of the piece was individual, precise, and arresting.

The central metaphor of the lighthouse itself—sending its warning out into the world; yet, in the keepers' crazed minds, seeming to draw up past and present evil from the deeps with its beam—was given strong realisation. Michael Eagan's set was at once the keepers' quarters and the lantern room. At the height of the mad scene, the three men entered into the lantern itself—blinded, blinding, their features bestially distorted by the revolving lenses. But Carsen kept them there too long; the bellowed, obscene unison chorale lost musical force through being splayed out in three directions (and, I confess, a thought of Busby Berkeley crossed my mind as the glittering revolve kept circling).

It was, however, a memorable image, its prolongation the only miscalculation. Carsen—here, as in the St Louis *Idomeneo* last year—has a fine eye for telling stage images. The "opening shot" of the opera proper, after the prologue, showed three men within the confining lighthouse walls, each trying to get as far from the others as possible. In the delusion scene, where ghosts from guilty pasts rise up, the stout walls became insubstantial, affording no shelter. When the swirling confusion of the mad scene cleared, three officers were seen standing shocked and shaken, over the corpses of the three madmen who attacked them. In the finale, three corpses revolved within the now-automatic lantern while the grim drama sounded as a spectral, unpurgeable memory.

The three characters, and the tensions between them, were defined more sharply than in other productions I have seen. Arthur was more unbearably, trimly sanctimonious. As played by the young Canadian bass, Christopher Cameron, he was like Melville's Claggart—neat, raven-haired, pale-faced, with fine-cut features; meek-mannered until unholy fanaticism (of the kind Davies has always hated) seized him, yet from the start the catalyst of the tragedy. Davies, like Verdi, has no mercy on life-denying, joy-denying, guilt-inducing "morality." *Sacerdoti! empia razza! anatema su voi!*

Cornelis Opthof was the coarse, companiable Blazes, living easy with murders on his conscience until Arthur—and the lighthouse Hui... Clos pressures—awaken it. The opera is complicated, not simplistic; guilt is not uncarned and retribution not unmerited, even if the agent that effects it is flawed and foul. The young Canadian tenor, Ben Heppner, gave a sensitive and sterling performance as Sandy: a burly young Scot tormented by his youthful romance, by the love he once enjoyed and then, when the cock crew, in fear denied and betrayed. All three sang very well.

Arthur (aether?), Blazes, and Sandy—air, fire and earth—are isolated by water: in alchemy, an explosive conjunction. The crisis has the inevitability of classical tragedy, and the work—like *Oedipus Rex*—proves no less startling and shocking when, in performances after the first, one knows in advance the revelations and denouement. Davies has not tidied every detail patly. There are inconsistencies, moral ambiguities, puzzles. So there are in most dramas that have attracted many different productions and varied interpretations.

The Guelph performance was conducted by Steuart Bedford, with the Canadian Chamber Ensemble, which is the professional core of the Kitchener-Waterloo Symphony Orchestra. (Ontario makes one brush up on battle history: Bannockburn, Woodstock and Glencoe are other towns there.) Several North American towns without full-time professional orchestras have "community orchestras" built around such a professional core. The players at Guelph were expert, and Bedford conducted with a splendid ear for telling sound and expressive sense. In a small but not cramped auditorium, music and drama became one.

Japanese Music/Almeida

Dominic Gill

One of the main themes of this year's cornucopian festival of contemporary music at the Almeida is Japan. On paper, at least, it promises to be a Fuji-sized celebration, offering a dozen events this week and next—a broad survey of Japanese music since the war, from Yoritsune Matsudaira (b. 1907) to Takayuki Rai (b. 1954), including a more specific homage to the work of Toru Takemitsu. Next Thursday is a "Takemitsu Event," a sequence of concerts and recitals, capped by a showing of *The Woman of the Dunes*, one of two festival films during the week with scores by Takemitsu.

Two appearances of the pianist Aki Takahashi opened the Japanese celebration on Tuesday and Wednesday — a solo recital, and a concert with the ensemble of five players called Sound Space Ark which she founded 14 years ago. Miss Takahashi is less well known in England than on the continent and in the US, which perhaps accounts for her very small audiences on this occasion. But they are rare pianists indeed who can deliver the post-war repertory with such technical and musical command, and with such sparkle and poetry: I hope it will not be too long before London audiences have another chance to discover how much they missed.

Her account of Toshi Ichiyanagi's *Piano Media* at the start of the recital was a glittering tour de force — a fiendish study which set jagged left-hand concruscations against a *fast moto perpetuo* in the right. I specially liked also the *Theme and Variations* of the remarkable Yoritsune Matsudaira (b. 1907) — an exuberant pot pourri of styles from Chopin and Stravinsky to Charles Ives and Boogie-Woogie.

The programme of the ensemble Sound Space Ark also included a piece by Yuasa called *Winter Day* for piano, flute, clarinet, harp and percussion — cold, dying timbres, suspended in time (even a tiny dying glissando from the glockenspiel: a technique new to me), which brought a shiver to the hot summer night.

Takemitsu's *Rain Spell* for the same instruments was more ripely romantic—where do they come from, these insistent echoes of Skryabin? Jo Kondo's *Words*, a curious stubborn little essay, alternated blocks of different instrumental timbres; Yoriaki Matsudaira's *Marquetry* investigated contrasts of different rhythms and tempi simultaneously—odd, eccentric, palely attractive. Exquisite, attentive performances all.

A Midsummer Night's Dream/Regent's Park

Martin Hoyle

Twenty-four hours after Britten's opera, seeing the great original makes for interesting comparisons. One up to the Bard for two lively pairs of lovers—in the new Covent Garden production, at least, the operatic counterparts are colourless and conventional. The opera prunes the rude mechanicals' scenes for which one might be grateful in some straight productions, but which can prove a loss when the comedy goes with a swing. And Regent's Park in summer wins hands down on a fine evening as far as setting goes.

David Conville and Emma Freud have revived Toby Robertson's production and redeemed the underlying lawks-mummery with good nature and some unexpectedly characterful playing, aided by such typical Regent's Park serendipities as a particularly caustic rook whose sudden obbligato perfectly cued Titania's "Keep back the clamorous owl." The Pyramus and Thisbe play is long and elaborate. It combines familiar gagging with one or two good new jokes; one concerning a dangling brick, another showing the endearing Lion of Karl James's Snug reading his lines from a crib-sheet.

Above all, the ducal party's shrieks of honest laughter as they split their sides is kinder than the usual Hooray Henry superciliousness. Diane Fletcher's sensible Hippolyta, one feels, has no intention of hurting the aspirant thespians.

These are led by Bernard Bresslaw, who has the bulk and the comic gifts for Bottom, but is still holding back. His wide-eyed entrance as Pyramus, making vaguely swimming gestures in the dark, finds him at his best. The interpolated mutterings of "Thank you!" and "I know" — many such in this production — are unnecessary though, it must be admitted, the audience loved them. As yet the characterisation is cautious; but the resources are all there.

The spirited quartet of lovers leave their lyrical colleagues Bow Streets behind. Beverley Hill's Hermia makes an odd daughter for Peter Whitbread's fussy Egeus, and her diphthongs have that suburban twang apparently endemic among British black actors. But her spunky little spitfire fizzes along, more than a match for Carolyn Backhouse, whose Helena is a winsome little girl doing a consciously droll party-piece. The men are insufficiently differentiated and look, confusingly in this play, like brothers; Ralph Fiennes, the current Romeo, makes a pale and interesting Lysander. The fairies are the usual faintly sinister bunch of wild-haired art students, and the music for the Oberon-Titania reconciliation must be the most uningratiating ever. But sunshine, warm-heartedness, birdsong and a cheerful audience (not to mention an unprecedented absence of planes, helicopters and midges) all helped.

Jeffrey Siegel/ Wigmore Hall

David Murray

The effect of Mr Siegel's Chopin/Liszt recital on Wednesday was rather mild, partly because his chosen pieces were generally on a modest scale, but some spark was missing too. He is a pianist of reliable taste and much polish; his half-dozen Chopin mazurkas were nicely varied and thoughtfully shaped, but they danced hardly at all. Siegel's rhythms were too plain for that, and where he concentrated on lyrical rubato the lift just disappeared. Equally, the virtues of his C minor Polonaise from op. 40 and the "Grande Polonaise"—fine depth and seriousness in the one, very bright fingers in the other—weren't underpinned by the grand swing of that dance.

Siegel gave us a sincere "Bénédiction de Dieu dans la solitude," a little too much blotted with pedal, a bit too jaunty and casual in the dotted-note rhythms. The other familiar Liszt piece was "Funérailles," delivered with insistently heavy drama—good black tone, too few histrionic contrasts. Some unabashed virtuoso flair would have sharpened Siegel's loyal intentions.

His *pièce de résistance* was a newly discovered Liszt opera-fantasy, a "concert paraphrase" of themes from Verdi's *Ernani*, distinct from the later published one. The Liszt scholar Alan Walker came upon it in Weimar only two years ago. One may suspect that if it was mislaid during Liszt's lifetime, the composer probably felt that the later piece anyway superseded it. The 1847 fantasy is effective but unremarkable, along the same lines as plenty of middling Liszt: Verdi's tunes are used straightforwardly, titivated with brilliant figuration, but not worked into anything like a new dramatic whole comparable to, say, the *Don Giovanni* fantasy. Siegel's account of it sounded thoroughly efficient.

Previn/Festival Hall

Max Loppert

There was very little festive about Wednesday's Royal Philharmonic contribution to the current André Previn Music Festival. The word "festival" suggests, among other things, that a celebration has at least been intended; but these readings of Berlioz, Liszt, and Mendelssohn were of the most depressing Festival Hall routine kind. No unusual amount of thought (or indeed of rehearsal time) appeared to have gone into their preparation, and almost no sort of celebratory enjoyment was kindled by their experience.

Previn set the orchestra off with a quick bash (quite often not exactly synchronised or tuned) through the *Benvenuto Cellini Overture*. This was followed by André Watts' vigorous hammering-out of the Liszt A major Piano Concerto—athletically drilled, and modulated in diverse degrees of loud and soft, but largely uninfluenced by any kind of poetic feeling.

This was bad enough; but the second half was devoted to a semi-rarity — generous helpings of the Mendelssohn *Midsummer Night's Dream* incidental music — and it was sadder still that pleasure in the selection should have been so much diminished by drabness of sound and penny-plainness of phrasing. It is perhaps an exaggeration provoked by disappointment to insist that the conductor failed to inspire a *single* shapely phrase. The vocal movements (with LSO Chorus ladies and Eva Lind and Christine Cairns as soloists) developed a certain pale charm, but large tracts of the instrumental music — the nocturne was the most grievous casualty — simply plodded.

Saleroom/Antony Thorncroft

Market's silver lining

English silver seemed to miss out on the buying craze which hit English furniture and modern British pictures last year but now, just as prices in the other two markets are levelling off, demand for silver is hitting a new peak. At Sotheby's good sale yesterday the main London dealers were bidding furiously against each other.

The top price, and double a conservative estimate, was £275,000 from Armitage for a pair of George II table candlesticks by Paul de Lamerie, the most sought after maker. They are in the flamboyant rococo style, as is the soup tureen and cover by the same craftsman which also went to Armitage, for £192,500.

Spink paid £99,000 for a beautifully simple Queen Anne covered jug made in 1708 by Simon Pantin (top estimate £30,000) while another London dealer, Koopman, acquired a pair of Victorian double wine coaster wagons by Mortimer and Hunt for £85,800: they could well appeal to an Arab collector. A Paul de Lamerie basket went to Asprey for £72,600 while a set of four George III silver gilt wine coasters made for the Lascelles family by Rundell, Bridge and Rundell in 1815 and sold by a descendant, the Earl of Harewood at Christie's in 1965 for £1,900, were bought by Koopman for £69,300.

A Charles II candle-snuffer tray and a pair of snuffers, estimated at £30,000, were sold for £99,000 to Spink, *writes Annalena McAfee*. The London dealer S. J. Phillips paid £96,800 for a pair of Charles I wine cups engraved with armorials. The morning sale fetched a total of £1,534,500 with 8 per cent unsold.

Sotheby's sale of fine jewels was more disappointing, with 30 per cent bought in and a total of £806,883. Although the antique pieces sold well, it was the larger modern pieces, including a diamond choker which had been expected to fetch £55,000, that were left unsold.

A lozenge-shaped plated teapot by Christopher Dresser sold for £36,000 yesterday in Phillips' art nouveau sale. The price paid by the Fine Arts Society in London, was four times the estimate and set a new record for Dresser's work. The teapot had been the property of a Greater Manchester family, who had used it as a vase.

A Daum carved glass vase also exceeded expectations at the same sale; estimated at £6,000 it was bought for £28,000 by an anonymous bidder.

Christie's sale yesterday of 19th and 20th century continental drawings realised £311,547 with 9 per cent bought in. The top lot was Gustave Moreau's "The Sphinx," which was bought for £91,800 by the Japanese dealers Art Point. The drawing had been expected to realise between £30,000 and £40,000.

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Realism on world debt

THE RESIGNATION this week of Mr Jesus Silva Herzog as Mexico's minister of finance may prove to be a turning point in the never-ending saga of Third World debt. While Mr Silva Herzog will be missed as a reasonable and fair-minded negotiator by many senior bankers and officials of the International Monetary Fund, his departure could foreshadow greater realism in the approach to Third World debt, not only in Mexico but also in the banks and the IMF.

The fear, of course, is that the resignation marks the end of the conciliatory policy which Mexico has adopted since the debt crisis first broke in August, 1982. In reality, however, this policy, at least as it had come to be interpreted by bankers and IMF officials, had little life left in it, with or without Mr Silva Herzog.

The collapse of oil prices last winter made a fundamental reassessment of Mexico's economic and debt-management policies inevitable sooner or later. It was always unrealistic of the commercial banks to hope that new lending to Mexico could be confined to the paltry levels planned when oil prices were above $20. It was equally unreasonable for the IMF to press for an unremitting rate of fiscal deflation in an economy which was already collapsing.

However, with Mr Silva Herzog increasingly within the government as a supporter of the orthodox approach, it seemed to be impossible for the Mexicans to reach an internal consensus on a response to the IMF's demands. Under these circumstances it was probably too much to expect that the IMF or the commercial banks could react in a constructive and realistic manner.

Economic policies

With luck, Mr Silva Herzog's departure may now force everyone involved in the Third World debt problem to draw a deep breath and think again—and to think less in terms of the empty gestures which have dominated too much of the "policy dialogue" between the debtors and the IMF; more in terms of the long-term interests of the debtor countries, of the world financial system and of international trade.

But is such a reassessment really necessary or even possible, considering the widespread satisfaction among bankers and Western politicians on the present approach to Third World debt? This question was answered firmly and convincingly in the affirmative this week by a report from the UN Committee for Development Planning, which argued that the flow of international finance to developing countries will need to be doubled in real terms between now and 1990, if they are to achieve minimum politically acceptable growth rates of around 5 per cent a year. In exchange, developing countries will have to accept international monitoring of their economic policies as a permanent fact of life.

The IMF's traditional deflationary macroeconomic remedies will have to be supplanted by more growth-oriented microeconomic measures, even if these icrease the debtor countries' demand for imports and foreign capital in the short term. The commercial banks, meanwhile, will have to accept new arrangements to institutionalise involuntary lending, perhaps by capitalising part of the debtors' interest payments, for many years ahead.

Officially, such proposals are anathema to banks and Western governments, who have set great store on the present "short leash" approach, under which new lending to the debtor countries is tied strictly to their success in hitting short-term macroeconomic targets. However, the depth of disaffection with this approach, outside the confines of the international banks and the IMF, is indicated by the signatories of the UN report. These include not only representatives of Third World interests like Mr Shridath Ramphal, the Commonwealth Secretary General, but also pillars of the Western economic establishment.

In the coming weeks, Mexico could quite conceivably move towards some of the measures envisaged by the UN committee—for example, by demanding that some of its interest be capitalised or even waived altogether. It would be far better for all concerned if any such relief were obtained through co-operative negotiations, rather than unilateral acts on Mexico's part. To make this possible, however, the Mexicans will need to persist with some tough economic measures. But greater flexibility and vision will be needed from the banks and the IMF as well.

The case for student loans

THE UK'S poor economic performance by the standards of Japan and the US is often linked by educational lobbyists with the fact that a significantly smaller share of Britain's young people receive higher education. But there is another difference between the countries that is less often mentioned by advocates of further expansion of university and polytechnic degree courses.

Japan and the US, like most other industrialised countries including West Germany, require students even from relatively poor families to finance themselves at least in part by loans or paid work. Britain is rare in awarding outright grants to cover the living costs of people in degree-level education while also providing their tuition free of charge. Although nearly all the students are legally adults, most of them have their grants reduced on a sliding scale if their parents' annual gross income exceeds about £10,000. The deduction is supposed to be made up from the parents' pockets. Even so the public cost of the awards together with social security payments to students in the long academic holidays is about £850m a year.

The grants system is admirable in principle, especially as the purpose of higher education is to give not only economic but cultural benefits to society as well as to individual graduates. But in practice the system has become progressively less adequate. Yearly grant increases have seldom compensated for inflation. While students are officially not supposed to need loans, the probability is that towards half of them now have sizeable overdrafts or other debts. The fact is that a student loans system, even though haphazard, exists already.

Outright grants also swallow taxpayers' money that might otherwise provide more places for students. The Robbins Committee which proposed expansion of higher education 23 years ago did not take into account that increasing student numbers meant mounting expenditure not just on buildings and staff but also on student grants. Lord Robbins probably believed the whole would be covered by the 4 per cent annual growth rate which the Treasury had advised him was in prospect, particularly since he also expected increased higher education to add further to economic growth by raising the productive capacity of larger numbers of young people.

Although the so-called trickle-down effect of the expansion by way of improved productivity may have prevented the UK's performance from being even worse, the expected positive economic benefits to the broader society have not yet appeared. The observable benefits have gone to the individual recipients of higher education. They have in general a better chance of obtaining well-paid work than have people who left school at 16 or 18 having had far less of a state-subsidy to their career prospects.

Meanwhile, as the higher education network does not pay for itself, it has to be financed from other sources. The annual outlay of £650m in irrecoverable payments to degree students represents money that might permit sorely needed internal improvements as well as expansion of the network.

Faulty system

The sole force that seems to keep such a faulty system in being is political pressure from an articulate minority of the public. Its main argument is that a loan element would deter children of poor families from entering higher studies. But even with grants, children from the worst-off socio-economic groups constitute only a quarter of the student population. Besides, a loan system could be arranged to favour poorer families no less well than the grants procedure does.

There is therefore good reason why the Government's new review of student finance—the third since 1979—should recommend that grants be replaced by a requirement for students to fund themselves at least partly by loans, together with provision for them to do so on an equitable basis. It would be naive to expect any change before the next election. But whoever wins it will have no case for delaying the reform any longer.

SPAIN'S ELECTIONS

Socialists hold centre stage

By David White

ALL THE way up the Castellana, the wide Madrid avenue which in Franco's time was called the Generalisimo, the lamp-posts are hung with portraits of Mr Felipe Gonzalez.

Against a soothing out-of-focus background of leafy green, the Socialist Party posters show a face still boyish, although puffier than four years ago and with the hair now carefully parted on the other side.

The blanket poster campaign for Sunday's general election presents a graphic image of the extraordinarily large space that the 44-year-old prime minister takes up on the Spanish political stage. Opponents seeking to seize the middle ground find it largely occupied by Mr Gonzalez himself.

His overwhelming victory in 1982 was the first time in more than 40 years that the Socialists had won any share of government. Now, in the fourth general elections since Franco's death in 1975, Spain expects to see for the first time a Socialist government voted back into office.

The only question, raised by some opinion pollsters, is whether the Socialists can keep their overall majority. The outside chance that they might fall from their 202 seats to below the critical level of 176 has added a touch of spice to the closing days of the campaign.

The most to which opposition parties can realistically aspire is taking the Socialists down a peg

When Mr Gonzalez—then a more nervous man—was campaigning earlier this year to keep Spain in Nato, he begged voters who wanted to punish him to do so in the elections and not in the referendum. In the end he won the referendum more easily than he expected. But advisers reckoned that the damage to the party's image, its change of heart on Nato membership, its internal conflict and its heavy-handed campaign could cost it 30 seats in a general election. "Holding a referendum," one Socialist leader admitted, "was not the most brilliant idea we have ever had."

Now, as then, Mr Gonzalez's problem is to bring out the Socialist vote. In 1982 it climbed to 10m, but that kind of enthusiasm is unlikely to be repeated. The government's main fear is a rise in abstention because of lack of interest in an election without real issues and competition from the World cup for the attention of its audience.

There can be little doubt, however, that Mr Gonzalez will be the man invited to form the next government. The lowest polls give the Socialist Party 40 per cent of the vote, below the 48 per cent it won in 1982 but more than the previous governing party, the Union of the Democratic Centre (UCD), ever achieved. The most to which opposition parties can realistically aspire is taking the Socialists down a peg.

In this, Spain runs counter to the trend in its neighbours Portugal and France, pillars of what seemed to be a new brand of southern European socialism, until both switched to centre-right governments. In Spain a unique situation was created by the spectacular collapse of the UCD, and its disappearance soon after the last elections. A strong centre-right alternative has yet to emerge. Until it does, Spain's party system will not be properly consolidated. The imbalance is therefore a source of unease for Mr Gonzalez, even though he has gained the most from it.

With the main opposition parties leagues away on the right, Mr Gonzalez has managed to carry his supporters while pursuing policies that are far from left-wing. He enjoys wide backing in the large lower middle class and has gained the acquiescence, if not support, of much of the Spanish and international business community. In the last four years, the government has followed a strict monetary policy, tackled overmanning in industry, started privatisation, entered the EEC and extricated itself from its own mess on Nato. Inflation is in single figures and the balance of payments current account is heading for a $4bn to $5bn surplus this year.

This performance is flawed in many respects, spending targets have been overrun while too little has been done to improve services such as health, and the Government failed to fulfil its number one promise—to create 800,000 jobs. Since it took office, the number of jobs, far from going up, has dropped by 300,000. Solutions for unemployment—now at 3m or 22 per cent of the labour force—feature prominently in rival election programmes. The Communists and former prime minister Mr Adolfo Suarez favour public investment while Mr Miquel Roca's new reformist party and Mr Manuel Fraga's popular coalition urge greater liberalisation of the economy.

But the Government is favoured by a surge of economic optimism. Since the middle of last year, the fall in employment has begun to be reversed.

It was partly to take advantage of this better mood that Mr Gonzalez dropped his cherished aim of completing his term and called the elections four months early. Among other factors, the Government wanted to avoid giving the Communists a chance to gain momentum in the regional elections in Andalucia, already scheduled for June 22, and to leave time later in the year for drawing up a new labour consensus, in the hope of easing tensions with the Socialist-led UGT trade union.

The Socialists are vulnerable on their left. The Communists, badly beaten in 1982 and fragmented, could well regain seats through their new United Left electoral front, and from the impetus of the well-supported anti-Nato campaign. Mr Suarez, making a surprise comeback with his small CDS centre party, and sensing the disappointment of many left-wing voters, is cleverly projecting himself as more radical than the Socialists.

That is not particularly difficult. The Socialist programme included few specific targets four years ago, and has practically none now. Its main theme is that Spain is in better shape than before and needs more of the same. The emphasis is on keeping up the anti-inflation drive, cutting the state's financial needs so as to leave room for the private sector, reducing subsidies to public companies. What happened to ideology? Mr Gonzalez, preoccupied with history and the sin of impatience which led his predecessors into trouble in the 1930s, has shed it.

The alarm most commonly voiced is no longer about impending military coups—that threat has vanished, despite ETA's attempts at provocation—but about the prospect of a semi-permanent ruling party and, as a result, a loss of prestige for parliament and a deterioration of democracy.

There is something to this. The Government appears to the man in the street to be almost as out of touch as it was in the time of dictatorship. The Socialists exemplify a party system working, not from the grassroots upwards, but from the top downwards. Parliamentary parties are tame, filled up from lists of candidates voted in under proportional representation, with more sense of responsibility to the leadership than to any constituency.

On the other hand the Socialists are not to blame for occupying a dominating position. As Manuel Vazquez Montalban, a well-known Catalan writer, put it: "The same thing is happening to the PSOE (Socialists) as happened to Real Madrid in the 1970s. It is not they who win the league so much as the others who lose it."

The opposition is weak. The right, which wins support on law-and-order and family issues, remains centred on Mr Fraga, whose Francoist past brings more votes against than for. Even if his party were able to renew itself, the whole spectrum of the centre-right would still face a fundamental and peculiarly Spanish problem: its division between national parties and the powerful regional parties of Catalonia and the Basque country.

The Catalan Convergencia Party and the Basque Nationalist Party (PNV) won 20 seats between them in the last parliament, more than Mr Suarez, the UCD and Communists put together. Both are confident that the Socialist tide in the two regions — high in 1982 but not high enough in the Basque country to beat the PNV — *is now ebbing*. The Socialist Party, relying on votes principally among migrant workers from other regions of Spain, is seen as a party of outsiders. This is so even in Catalonia, where the main Socialist leaders have good "Catalanist" backgrounds but have had to sit by and suffer the results of central government policies which harm regional interests.

More comfortable in the less developed parts of Spain, the Socialists have missed the chance of dominating these two regions, the most industrialised diversified and socially developed in Spain. Both, though run by moderate pro-European regional governments, gave Mr Gonzalez a *resounding* "No" in the Nato vote.

Convergencia's "Spanish Front" — the reformist party headed by Mr Miquel Roca, a Catalan nationalist with his eyes on power in Madrid — provides the election line-up with its principal novelty. Mr Roca, whose political models range from Mr Raymond Barre to Mr David Steel, has both money behind him and ambition. But his impact outside his home less than that of Mr Suarez who, territory appears limited — campaigning mostly on the basis of his record and personality, has become a Cinderella figure.

Both Mr Roca and Mr Suarez anticipate a slice of power if the Socialists fail to win an absolute majority. Mr Roca has indicated he would support a minority government, and he has in the past voted with the Socialists on controversial social issues. But his tactic would be to wait for the best opportunity to present a censure motion. Mr Suarez has also made clear that the Socialists could not expect unfailing support from him.

Also poised to play a hinge role is the PNV, possibly the party most willing to play along with Mr Gonzalez. This would have appeared a most unlikely prospect two years ago, when the PNV government in the Basque country was hardly on friendly terms with Madrid. But the PNV now has a working parliamentary pact with the Socialists in the Basque regional assembly, and the same arrangement could be envisaged in reverse. Pragmatic alliances are part of the PNV tradition. However, Mr Xabier Arzalluz, the wily PNV leader, would want concessions in return. He does not, he says, give anyone blank cheques. In any case, the durability of a pact would depend on whether the PNV chooses to call early elections in the Basque country.

The stock market can be expected to react more favourably if the Socialists gain a majority

A Socialist minority government, under any of these scenarios, would therefore add an element of instability, which few Spaniards outside the "political class" seem to relish.

Perhaps the oddest circumstance of this election is that the stock market can be expected to react more favourably if the Socialists gain a majority than if they fail.

However, on the basis of the results, the search will then be on for a new centre-right alternative. Even before this campaign has ended, Spain is thinking about the next election.

Felipe Gonzalez: More of the same on offer

STATE OF THE PARTIES 1982 ELECTION

PSOE—Partido Socialista Obrero Espanol (socialist)	202
AP—Alianza Popular (conservative, now standing with Christian Democrats and Liberals as Coalicion Popular)	106
UCD—Union de Centro Democratico (centrist, no longer active)	11
CDS—Centro Democratico y Social (centrist)	2
PCE—Partido Comunista Espanol (Communist, now standing with other left-wing parties as Izquierda Unida)	4
CiU—Convergencia i Unio (Catalan nationalist, centre-right)	12
PNV—Partido Nacionalista Vasco (Basque nationalist, centre-right)	8
HB—Herri Batasuna (Basque separatist)	2
Others	3
Total	350

Men and Matters

Wilmot under steam

Robb Wilmot is best known these days as a passionate crusader for Europe's high-tech future. But in recent months, the *ex-chairman of computer* maker, ICL, and co-founder of European Silicon Structures, the semiconductor company, has also taken a keen interest in a project to revive the splendours of the Edwardian era.

The result is the re-launch this week of the Windsor Belle, a 1901 steam-powered Thames cruiser, restored to her former glory over the past two and a half years. From a mooring near Henley, the 70-foot vessel will ply for hire for private functions.

Wilmot and his wife, Mollie, became involved earlier this year after a local boatyard appealed for funds to complete the restoration work. The couple helped to set up a company to take over the the project and raised £250,000 in bank loans and equity, including investments of their own made under the Business Expansion Scheme.

Both Wilmots are on the company's board, along with several craftsmen who rebuilt the boat. But with her husband travelling much of the time "in Paris, Brussels, Milan or at FT conferences," Mollie Wilmot *has taken charge of much of* the business side of the venture, including marketing.

That, she says, has meant working a 12-hour day from their Thames-side home near. Henley. Quite a reversal of roles from the time afew years afo when Robb Wilmot was putting in 100 hours a week at ICL's Putney offices further down the river, bailing the company out of its financial crisis.

"Have you anything that wasn't grown in South Africa or within a thousand miles of Chernobyl?"

Drawing cash

A *young US artist, living and* working in London, has found a novel method of getting greater value out of the Swiss currency than most bankers achieve.

During the first few days of the annual Basle arts exhibition this week, J. S. G. Boggs, 22, has "spent" SFr 1,900 (£678) on accommodation, meals, drinks and taxis without handing over any legal tender. Hotels, restaurants, night clubs, bars and taxi drivers have been accepting his coloured pencil drawings of Swiss banknotes as payment.

On the back, each drawing carries a guarantee that it can be redeemed at face value at the local Galeria Demenga. So far, Rudi Demenga, *owner of* the gallery, says he has not had to redeem a single SFr 100 note.

Bogg's banknote drawings in actual sizes have fired the imagination of the Balois and collectors' demand has become so strong that Demenga is offering up to 10 times face value for them. Boggs—he is very intelligent, Demenga says—refuses to sell directly to him.

It takes about 15 minutes to draw a SFr 10 note, 45 minutes for SFr 100, but 2¼ hours for a SFr 500 note, Boggs estimates.

He has used the same payment technique successfully in Chicago and New York but the Balois have surpassed his expectations. Switzerland, Boggs says, has a "culture which has its priorities intelligently defined. God bless the Swiss." Not the usual judgment of the canny citizens of the Confederation.

Space invader

The Soviets have given a new edge to promoting understanding of East West trade by *actually bringing a cosmonaut*, Valery Ryumin, to a major conference in Vienna this week.

The hapless space traveller was a member of a delegation like the others from Eastern Europe, notably for its absence of managers and traders but strong on government officials, scientific advisers and experts in further understanding, but little else.

This led Western businessmen, lured by the "new horizons" title of the meeting to mill around the spacious corridors of the Hofburg Palace vainly trying to pin down that *most elusive of* East European animals, the end-user.

For in spite of much talk of economic reform giving managers greater power, the turnout showed that East European trade is still very much in the hands of the bureaucrats. The way it always has been, cynics will note.

Power point

Members of the right-led Amalgamated Engineering Union, perusing the latest edition of their union's journal, may have been surprised to come across an article by Arthur Scargill, the miners' leader.

But as a good Marxist, Scargill is aware of the difference between form and content—and though published by a union which is a bastion of the TUC and Labour Party right, *his views (on nuclear* power) are firmly on the left.

In a scathing attack on the nuclear power industry, written after the Chernobyl accident, Scargill is characteristically clear about the worries of some union members — including those from the AEU—about job losses if policy towards the nuclear industry changes under a future Labour Government.

"I understand the fears of *many AEU members that if* Britain's nuclear industry is shut down," he says, "unemployment levels, already obscene, will rise still higher—and the skills of nuclear workers will betossed on the scrap heap. These fears are unfounded."

Arguing that converting nuclear *stations to cial* would create 20 per cent more jobs than the nuclear industry now provide, Scargill has a clear message to Neil Kinneck, Labour's leader: "If Labour is to win the next General Election, it must put its anti-nuclear policy to the British people."

Naked truth

Another men-only bastion, the prestigious Union League Club in Chicago, may be poised to accept women members. It seems a resolution *to that effect*, proposed by architect Wilmont Vickrey, was greeted with applause at the annual meeting. While a similar motion was voted down decisively in 1980, the club's men-only policy has been increasingly under fire as the number of women executives in *the Windy City has* grown.

But if women are accepted, an issue of urgency is the policy on the club swimming pool. Nure bathing is a club tradition, I gather, and one whose passing might be regretted. Is this the end of an era or will some form of blush-sparing timetable be drawn up? A club spokesman was, for the moment, unable to shed any light on the matter.

Observer

POLITICS TODAY: IRELAND

Walking back to happiness

By Malcolm Rutherford

THE SUN came out in Dublin last weekend for what the Irish Times says was about the first time since Whitsuntide 1985.

The other news is not too bad, either. The Irish economy is beginning to look up again for the first time since the early part of the decade. And it may well be that the Anglo-Irish agreement of November last year will survive a change of government on either or both sides of the Irish Sea.

The politics are still a mess, to be sure, perhaps even more of a mess than usual. But they seem to have become a much pleasanter mess. Dr Garret FitzGerald's coalition of Fine Gael and the Labour Party can barely command a majority in the Dail. The Labour Party, in particular, is suffering because it thinks it was obliged to sacrifice some of its socialist principles by entering the coalition. It is looking forward to going into opposition after the next general election when it will retake its bearings and see if there is any future for an Irish Left.

There is a new political party in Mr Desmond O'Malley's Progressive Democrats who register an average 15 per cent support in the opinion polls. Mr O'Malley split away from Mr Charles Haughey's Fianna Fail at the end of last year because he thought Mr Haughey was too negative towards the Anglo-Irish agreement.

Since the launch, the Progressive Democrats have picked up support from Fine Gael as well as Fianna Fail. The new party does not want to talk about coalitions until after the elections, but its very existence helps to keep the situation open.

Meanwhile, Mr Haughey waits in the wings, fairly confident of returning to power in a year or so. Fianna Fail has been running at around 46-47 per cent in recent opinion polls—sufficient to give it an overall majority if maintained at a general election.

An electoral test of a kind will come next Thursday when the country holds a referendum on divorce. Under the 1937 constitution divorce is forbidden. A "yes" vote in the referendum would allow divorce, provided that it can be shown that a marriage has failed for five years, that there is no reasonable possibility of reconciliation and that a court is satisfied that adequate provision will be made for any dependent spouse or child. It is not exactly an invitation to the permissive society.

The politics of the referendum are uncertain. At the moment, much of the interest is going into how many people will bother to vote. It is said that many of the old may opt out because divorce is no longer their concern and that it is a matter for the younger generation to decide. At the same time, it is suggested that many of the latter may be too young to care.

The referendum is, however, something of a test for Dr FitzGerald. It was recommended by an all-party commission, but Dr FitzGerald called it. The Catholic Church in public has been fairly non-committal. At any rate, it is not threatening excommunication to those who vote "yes."

Mr Haughey has been non-committal, too. His party says that it is a free vote for the Irish people. But there would be some satisfaction for Mr Haughey if the referendum were to be defeated—while there would be considerable satisfaction for Dr FitzGerald if it were to be carried.

The result probably affects the date of the general election. It is due by November next year at the latest. A "yes" vote could encourage Dr FitzGerald to go to the country sooner. A "no" vote woud expose him in the Dail where there might be a vote of confidence which the coalition could not be certain of winning.

Yet it may not matter that much any more, either way. Throughout the 1980s Irish politics have been dominated by the twin personalities of Dr FitzGerald and Mr Haughey. They have alternated as Prime Minister and do not particularly like each other. But both in a way have had their victories.

Dr FitzGerald achieved the Anglo-Irish agreement. He has probably succeeded in turning Irish opinion in the United States—a very important lobby—away from support for the IRA to support for the Irish Government. He has also become something of an international statesman, first as Foreign Minister in the 1970s, then as Prime Minister. He was in Paris on Monday, for instance, seeking to line up a firm Franco-Irish stand against any British incursions on the common agricultural policy ahead of next week's meeting of the European Council. The European dimension has become crucial to Ireland, another factor giving confidence.

Mr Haughey's triumph is as a survivor. He can claim to have laid the first foundations for the Anglo-Irish agreement. Then he fell out with Mrs Thatcher, and had to fend off attempts in his own party to depose him as leader, but is still there and could be the next Prime Minister.

If he is, the main Anglo-Irish quarrel seems likely to be over nuclear power. Mr Haughey has become greener. He says that he wants the British nuclear processing plant at Sellafield, which discharges waste into the Irish Sea, closed down altogether.

That, however, is a hypothetical problem for the future. On the principal business of the Anglo-Irish agreement, Mr Haughey claims that he still wants some of the constitutional aspects changed—there is provision in the agreement for a review after three years—but, for the rest, he is prepared to judge by results.

His criteria are how far the agreement will give the Republic a greater say in the administration of justice in Northern Ireland, in the conduct of the police force, the prison regime and, not least, the courts where the Irish are demanding an end to the Diplock system of adjudication by a single judge.

Since none of that is much different from what is being sought by Mr Peter Barry, the present Irish Foreign Minister, it is possible that the Irish constitutional parties have reached a consensus on Northern Ireland. They work with the British and are prepared to trust them, and vice versa.

Mr Haughey (left) and Dr FitzGerald: now in a pleasanter political mess

That is a fundamental change of which the Unionist community in the North will have to take note. As one British minister says, Mrs Thatcher and Mr Haughey are like a pair of jilted lovers. But they could come together again. Survival of the Anglo-Irish agreement beyond a change of government in Dublin would be a crowning achievement, as Dr FitzGerald admits.

It should be said in parenthesis that there is a potential cloud: the Stalker affair. Mr John Stalker, the deputy chief constable of Greater Manchester, was conducting an inquiry into possible excesses by the Royal Ulster Constabulary. He was recently suspended from his duties pending an inquiry into his own affairs.

These are murky waters where it is impossible to fathom fully what is going on. It appears that he discovered some pretty unsavoury facts about the behaviour of the RUC involving cross border incursions, shoot-to-kill and perjury in the courts. He was suspended for reasons that had nothing to do with that. The inquiry continues and the British Government claims to be anxious to bring its findings to light as soon as possible.

But there are some misunderstandings. The Irish Government believes that the inquiry is complete. One is told in London that it is not. It is possible that the British Government is going through its customary process of one department not talking to another. The matter urgently needs to be cleared up.

Apart from that, however, Ireland probably has turned a corner. Unemployment is still embarrassingly high at around 17 per cent, but it may have stopped going up. It was over 18 per cent last year.

Inflation has come down dramatically—perhaps to an annual rate of 3 per cent.

Most striking of all, public expenditure and the problems of debt-servicing seem to have been brought more or less under control. The entire politico-economic debate is about tax-cutting. That goes across all the political parties, including Labour. Everyone wants to cut; the only question is how.

Mr John Bruton, the Finance Minister, is the leader: far more Lawsonite than Lawson. But even the Labour Party agrees that far too many people reach the top rate of 58 per cent too early. It is about £15,000 for a married couple. Incentives and supply side economics are taking over.

So is Europe. Membership of the Community has transformed the Irish outlook. Leaders of all the political parties make comparisons no longer with Britain but with the smaller European countries. "Denmark does this, Belgium does that," they say. "Why should we not have a multi-party system like the Dutch? After all, it has not hampered them from controlling public expenditure."

To cap it all, the Government agreed this week to spend £10m on cleaning up the centre of Dublin. "It's all Andre Malraux," said Mr Ruairi Quinn, the Labour Party Minister for Public Service, referring to the French Minister of Culture who cleaned up Paris in the 1960s. "I've been calling for it for years." Now he has it.

The Irish also have Europe. Under the Anglo-Irish agreement they may have Britain as well. Quite a change in confidence.

Lombard

The Church as investor

By Robin Pauley

IT WAS probably just a poignant coincidence—rather than divine intervention—which led the UK Church Commissioners to publish their annual report on the anniversary day of the 1976 Soweto uprising in South Africa.

But the coincidence does highlight an important dilemma for the Church of England. While the Archbishop of Canterbury's principal representative in South Africa, Bishop Desmond Tutu, Archbishop-elect of Capetown, is leading the Anglican Church's outright but pacific opposition to apartheid, the Church Commissioners are dismissing the idea of complete Church disinvestment from South Africa as too difficult.

The Church Commissioners' annual report raises wider questions about the balance between the Church operating as a traditional investment institution required to maximise returns and the Church operating as a higher moral authority for which the paramount priority is conviction and example.

It is in those areas where the Church's moral authority is the subject of most attention that it seems to be most reticent to give a lead, whether it be disinvestment from South Africa or investment in the inner cities in Britain.

The Commissioners, a body set up by Parliament to further the nationwide ministry of the Church of England, have accumulated substantial wealth through property and equity investments. They now rank with major corporations in terms of their total assets of £1.9bn including nearly £1bn of property investments and £800m in equities, principally in the UK and US.

Whereas the Church is in no doubt about the unacceptability of the present regime in South Africa its Commissioners are in a trickier position. Aware of the mounting embarrassment of the Church's investment links with South Africa the Commissioners have issued a statement of investment policy. "We share with all church people an abhorrence of the apartheid system which denies human and political rights to black South African citizens," says the statement, adding "We do not invest, and never have invested directly in South Africa."

But events have moved on and the Church now needs to consider whether its current view that no large investment portfolio can avoid some indirect involvement in South Africa remains satisfactory. The Commissioners say their indirect investment in South Africa is spread across 65 UK companies or over half of the value of the £477m UK portfolio. "To exclude such a wide range of leading British companies would seriously damage the long-term interests of our beneficiaries." This point is reinforced by the legal requirement of those managing charitable funds to put financial considerations first.

However, that does not prevent the Commissioners from naming the 65 equities in its portfolio which have South African investment links. Nor does it preclude the Commissioners from considering, for example, an announcement that none of those holdings will be increased. In any case, normal management of the portfolio resulted in 11 UK equity holdings worth more than £1m each being dropped in 1985 and 22 new ones added.

Similar questions of role arise over the Commissioners' property portfolio where both the £500m commercial investments and £174m UK residential holding are almost completely outside the areas which caused most concern to the Archbishop of Canterbury's Commission on Urban Priority areas. Its report called for wide investment in education, jobs and housing in the inner city all of which would amount to a statement by Church, Government and nation of Faith in the City, the title of its report. The Church Commissioners' proposal to spend an extra £30m over five years, mainly on clergy salaries, clergy housing and church based community centres in the poorest areas is a start but hardly what the Archbishop's Commission had in mind when it floated the idea of a Church Urban Fund.

The General Synod meets in York next month. There is a case for some tough questioning of the *spirit* of the Church Commissioners' approach to investments at home and abroad.

Letters to the Editor

The Birkbeck controversy

From Ms G. Darley

Sir,—The income cuts which Birkbeck College is set to suffer (Michael Prowse, June 13) are the largest facing any university institution in the country.

I can vouch for the impact of the news, since I have been a postgraduate student at Birkbeck for the last two years. Sometimes almost defeated by the pressure of academic work vying with the commitments of freelance journalism and domestic tasks, I have soldiered on, encouraged by the tenacity and motivation of my fellow students, and impressed by the respect and understanding shown by the teaching staff.

My course, Politics and Administration, has produced a crop of students, about which it will be futile to generalise; we are a motley crowd. Beyond the dedication, there is no common denominator. We come in, twice a week for two hours, from schools, town halls, City offices, the House of Commons Library, the Jamaican High Commission, for seminars at which the discussion is lively (mature students are rarely tongue-tied), and the subject matter stimulating.

Our common ground has been that of commiseration and mutual support, as we sweated to produce the requisite six essays and four or more class-papers, as well as working towards an exam at the end of each of the two years. Some people would then head off to commute home, an hour or more's journey at the end of a punishing day.

My motive for being at Birkbeck, unlike some who could see promotion or improved or new job prospects at the end of the tunnel, was nothing beyond a need for a mental refresher course, a foray into a new field, 17 years after first graduating from the University of London.

From time to time, I would remark to people in jest that my regard for Birkbeck was such that, if it was ever to be under threat, I would be found bolted to the railings in support. The place inspires that kind of loyalty, as any student would agree.

The University Grants Committee's threat, peremptory, arbitary and potentially fatal, seems to come from a world gone mad.

Birkbeck is a unique institution. The argument that these adjustments are fairer to all is patent nonsense. As Prof Roderick Floud, of Birkbeck, puts it: "We are totally different from everyone else. We are not an institution with marginal part-time students. Our students are full-timers who happen to study in the evenings, and require full-time facilities."

Part-time education is crucial to policies of retraining and re-orientation, the inevitable theme of government policy over the next decade—whatever the government. "Much as I admire Birkbeck College and its splendid work, I cannot intervene," said Mrs Thatcher, in answer to a question in the House of Commons last week, from Mr Ivor Stanbrook, a former student. Admiration alone is precious little comfort to Birkbeck as things stand.

Gillian Darley.
81 Church Street,
Stoke Newington N16.

Wages of blacks in South Africa

From the managing director, BP

Sir,—In your article "UK companies pay South African blacks below target" (June 16) the figure of R198 quoted for British Petroleum is a misrepresentation of the facts. This sum is only part of the remuneration package of the lowest paid worker employed by Eikeboom Colliery, in which BP has a 50 per cent interest. The true figure is R330 and relates to 1984-85. Full details were given in the Code of Conduct Report, submitted last autumn to the British Government. Copies of this document are available on request.

Mines are frequently situated far away from towns. In these circumstances mining companies provide living accommodation and amenities for their employees. The value of these is recognised by the University of South Africa in determining the levels of wages against which UK companies are measured for the Code of Conduct Report to the British Government.

Thus, for nearly all workers in the mining industry the total wage has two elements—cash and the value of the benefits—mainly housing and keep received in kind. This applies to employees of Eikeboom Colliery, where the remuneration of the lowest paid worker exceeds the relevant standard. BP continues to ensure that none of its employees is paid less than the Supplemented Living Levels as defined by the British Government.

Patrick Gillam,
Britannic House,
Moor Lane, EC2.

Go back to the drawing board

From Mr B. H. White

Sir,—The EEC is about to inflict a Co-responsibility Tax on EEC cereals producers, in an attempt to reduce surpluses. The method and timing of its introduction are going to cause a massive administrative mess due to its illogicality and discriminatory nature.

The simple way to reduce surpluses, as many economists have pointed out, is to reduce prices support in the EEC. It seems that this is politically unacceptable, particularly to the Germans. Instead, the EEC intends that farmers should sell at the old prices, but be paid approximately £3 less a tonne by a complicated series of manoeuvres. The farmer is presumably naive enough to think that his support price has been maintained, although he is actually getting £3 less for his grain.

To bring this about, the animal feed compounder buying the grain, and the possible string of merchants in between farmer and compounder, are expected to alter their invoices to show a specific deduction, but not in every case. Where a buyer is feeding grain to his own chickens, he does not pay the tax and therefore the farmer or merchant should not deduct the levy. A merchant in particular may buy from a farmer and not be certain what is going to happen to the grain, but somehow he must choose either to withhold the levy or not.

Apart from the intrinsic stupidity of such a scheme, it is to be implemented on computers throughout the land by July. As the work involved is similar to setting up a VAT system of deductions and repayments, this poses some administrative problems.

I feel that when the Common Market reaches this stage of administrative mess, we should go back to the drawing board.

Barry White.
51, Fordington Road, N6.

Defined benefits

From Mr T. Shucksmith

Sir,—Mr McShee (May 30) makes one fundamental error in his description of the legal relationships usually found in defined benefit schemes in the UK. Typically, the employer does not promise retirement or other relevant benefits to employees. He offers beneficial membership of a pension trust which he has established. The trustees conditionally promise the members the benefits, the promise being conditional on the adequacy of trust funds. In this way the employer is able to limit his liability in respect of benefits, the amount and cost of which is subject to considerable uncertainty. He does this by incorporating a right to terminate contributions.

Mr McShee is somewhat naive in basing his argument for the repayment of actuarial surplus on strict legal relationships under the pension trusts. There are other considerations which should perhaps be taken into account in the wider business and social context. The level of company's contributions and not merely the level of benefits will often have been a factor in wage determination, and there will often have been an understanding that the contributions would be used for the benefit of members. Because of price inflation and redundancies resulting from the economic climate through which we have been passing, the real liabilities of many schemes have been much less than expected and from the employees' point of view their expectations of being provided with adequate retirement benefits by employers' schemes have in many cases not been met. The necessary resources are, however, often there and could be used for the purpose.

Any suggestion that the cost of securing benefits on a discontinuance of a scheme based on current salaries plus a modest margin for contingencies is a proper funding level must be deprecated. It does not represent adequate security for members' long-term entitlements, nor a uniform accrual of the long-term cost of the benefits. Surplus should be regarded as an actuary's assessment that the employer had prepaid rather more contributions than might have been necessary to achieve the funding objective (say a uniform pension cost expressed as a percentage of salaries), not as "overpayment." Some oscillation in the solvency level of pension schemes on a continuation basis must be expected in that fundamental factors such as price inflation, salary escalation, pension increases and underlying investment return (even on a discounted income basis) and rates of member turnover cannot be expected to march closely in step in the short term. Is an amplitude of oscillation of 5 per cent of the ideal fund unrealistically low? I suggest it is.

Tom S. Shucksmith.
Lincoln House,
Nutley Lane,
Reigate, Surrey.

Silly season kicks off

From Mr B. Russell

Sir,—Like Christopher Dunkley, I am no football fanatic. But for him to criticise this game (June 11) as "remarkably limited" and then, in the next paragraph, to confess to being a "besotted fan" of snooker seems so bizarre that I believe we can now officially declare the silly season to be well and truly open.

Brenda Russel.
68, Brokesley St, E3.

FINANCIAL TIMES

Friday June 20 1986

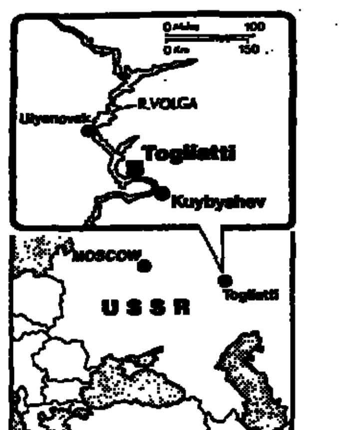
Patrick Cockburn reports on a visit to a model of modern Soviet manufacturing

Car plant responds to Gorbachev's call

THE VAST Togliatti car plant on the bank of the River Volga 1,000 km east of Moscow, is the Kremlin's main concession to private car ownership. Every minute the three *assembly lines, each 2 km long,* produce three cars – or about half the total car production for the whole country.

The plant is also important because last year it became the testing ground for a new system of management autonomy and incentives which Mr Mikhail Gorbachev, the Soviet leader, wants to see spread to the whole country.

The Soviet Union has always been ambivalent about private cars. In 1950 there were only 64,000 in the country and under the leadership of Mr Nikita Khrushchev officials complained of having to travel around by truck to conduct official business. It was only in the mid-1960s that the decision was taken that more private cars were needed as an adjunct to public transport.



Export version of the Samara front-wheel drive on sale in the West under the Lada marque

The Volga automobile plant – known to Soviets as Vaz – where car production started in 1970, is the centrepiece of this policy. Over the past 16 years it has produced 10m cars, mostly based on the Fiat-124, of which 3m have been export*ed as the Lada. The Zhiguli,* the Soviet trade name for Togliatti's products, remains by far the most common car on Soviet roads and 720,000 are produced annually.

Togliatti, named after the wartime Italian communist leader, has become the fastest growing city in the Soviet Union with a population of 640,000. Its appearance, like many new Soviet cities, is aseptic though alleviated by the planners' decision to divide it into three, leaving a large triangle of forest in the centre of the city.

Demand for cars in the Soviet Union is always higher than supply. The Samara, the new front-wheel drive car from Vaz, is being produced at a rate of 300 a day, climbing to a third of total output by 1988 at a cost of 8,300 roubles a car ($1,158). Surveys show that the average Soviet motorist is between 40 and 59 years old and has saved eight years for his car.

The management at the Togliatti plant make clear that although they are investing in improving their product they do not plan to raise output. Total Soviet car production will stick at about 1.4m a year, 1.1m for the domestic market, up to the end of the century, say Vaz managers. "We don't regard cars as a prime necessity," Mr Nikolai Glushkov, chairman of the state committee for prices, said last month.

But the very fact that some 35 per cent of the Togliatti plant's production is exported makes it different from other Soviet enterprises. The Lada is almost the only Soviet manufactured export which competes directly in Western markets. The Soviet Union's exports are mainly oil, gas and other raw materials.

The factory differs from others in the Soviet Union in three other important respects:

● The plant is bigger than most. Almost all components for the car are manufactured at the plant itself. The total workforce is 125,000 of whom 97,000 work in three shifts.

● The cost of manufacturing a Zhiguli is put at between 1,800 and 2,200 roubles by Mr Boris Krupyenkov, director for economics and planning at the plant. The retail price is 6,000 to 7,000 in the Soviet Union and more for the new Samara. The profit is split 47.5 per cent each for the plant and the state with the remaining 5 per cent going to the Ministry of Automobile Manufacture.

● Much of the heavy capital equipment is concentrated on foreign manufacture. Togliatti does not seem to have suffered from the dearth of modern machiney seen in so many Soviet plants. This is probably because it was started based directly on the Fiat-124 and has always produced significant foreign exchange through exports.

The forge, the pressing plant and the assembly lines all have large quantities of foreign-made equipment. This includes some robots for contact welding and plans to introduce more. Under the economic experiment introduced in the plant at the start of last year, management obtained control of 40 per cent of foreign exchange earning though still acting through the Foreign Trade Ministry.

How far is this independence real? Mr Alexei Nikolaev, the first deputy managing director at Vaz, says that "our role is decisive, the Foreign trade ministry only does the paper work." According to the daily government news paper, Izvestia, however, Vaz still has to obtain a document from the Machine Tool Ministry stating that an item is not produced in the USSR before it can import it. "Naturally nobody wants to acknowledge their own impotence," the newspaper quoted a *Vaz manager as complaining.* "They say it will be done, but not tomorrow."

Mr Gorbachev made clear when he visited Togliatti in April that he saw it as a potential model of the way other Soviet enterprises should develop. He said the experiment at the plant "has shown once again that the system of self-financing is an effective method of combating *the notorious method of gross output.* It acts as a cost-cutting mechanism."

The experiment has certainly had some effect on quality of work. The head of quality control at the end of the assembly lines says that he used to reject between 15 and 17 per cent of the cars delivered. The new system of incentives, where up to 30 per cent of wages are tied to performance and productivity, has cut the rejection rate to 2 per cent.

This claim of better quality work is confirmed by foreign companies *selling the Lada overseas,* who say the defects on cars delivered to them have dropped very significantly over the past six months.

An increase in quality also seems to be reflected in the new Samara car – 70 per cent of whose components differ from the old Zhiguli – which looks a more impressive car than its predecessor. "The Samara 2108 was wholly developed by our design engineers in this plant," says Mr Vladimir Akoyev, the first deputy technical director, nettled by the suggestion that Porsche had any input into the design.

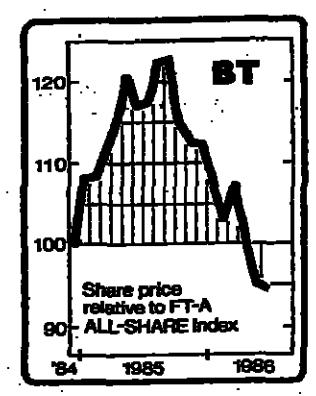
In many respects the Vaz plant at Togliatti is the exemplar of the kind of factory Mr Gorbachev would like to see across the Soviet Union. Its management sounds more energetic and flexible than the directors of *other Soviet plants.* The experiment, while still in early stages, has succeeded in raising quality.

But Togliatti has many advantages over other Soviet plants. It competes in export markets, has modern captial equipment and sells a single and very profitable product. A real test of the effectiveness of the new experiment would be if the plant was able to raise its output to cope with any increase in foreign demand for its products following the launch of its new model.

THE LEX COLUMN

Useful numbers from Telecom

The great money puzzle of the May banking month remains unresolved by the final statistics. Banks may have been pushing funds into their non-bank subsidiaries in the capital markets, and corporate borrowers may have been swapping foreign currency into sterling, but overall £M3 growth of 3 per cent in the month has yet to be explained, or explained away.



British Telecom

The under-performance of BT *shares* over the past *nine months* must have removed some of the gloss from first-time share ownership; this experience of equity ownership is not the best advertisement for a long-term investment in British Gas. But the mass of BT shareholders are perhaps less likely to abstain from buying Gas than to conclude that it should be bought but stagged.

BT's trading performance has in fact been the model of what a regulated utility should be expected to deliver. Earnings are up 10 per cent and dividends have been pushed ahead rather faster. If it were not for the purchase of Mitel and a few other new subsidiaries, it seems that BT would have managed to pay nearly £500m of dividend, add £150m to working capital, and still salt away £200m of cash. Cash generation on that scale makes it perfectly clear why the City tends to worry what BT might buy next.

BT's share price may be less vulnerable to actual competition from Mercury than it was to the threat. In the last quarter, telephone traffic growth accelerated again after a sticky few months earlier in the year. But 7 per cent trend growth in domestic call volume is scarcely going to melt any wires on stockmarket dealing desks.

Evered/McKechnie

The narrow success of Tomkins in its bid for Pegler Hattersley will certainly have an impact on the identikit struggle over McKechnie; in that sense, Evered was as much an interested party in the Pegler bid as the two principals. Evered must hope that the example of Tomkins has clinched the case for institutional acceptance of its own offer, given yesterday's predictable increase and addition of a cash alternative. Indeed, the 265p closing price of McKechnie shares must strike the defenders as a worrying precise reflection of the Evered terms, currently worth 273p a share.

That may not be quite the whole story, however. The market's mood has turned somewhat less favourable to takeovers than it was a couple of months ago, and the Tomkins bid might not have succeeded but for the intervention of Fleming Mercantile as a late purchaser of Pegler shares. The thought that Fleming Mercantile is separated from Evered's advisers only by the thickness of a Chinese Wall may nevertheless give the McKechnie camp something to worry about. *What if a fund that was similarly unrelated to Tomkins' advisers at County Bank were to start dabbling in McKechnie shares?*

Johnson Matthey

The most special affection is reserved for money which was lost, and has been found. The 50 per cent rise in pre-tax profits from Johnson Matthey confirmed the City of London's view that the new chief executive walks on water and the shares rose 17p to 205p. In fact, the management is wading through a swamp with unusual rapidity.

As a management-led recovery stock, the share has few peers. But the long-term question is whether, when the swamp has been finally drained, the core businesses are as great as the claims. In the year to March, all the gains are due to the shrinking interest bill as under-utilised, debt-financed capital is squeezed out of the company. A year ago, there was £100m of capital earning less than 6 per cent before interest or tax, of which so far £25m has been sold off.

Further application of such basic management techniques will bring further rewards. In particular, the ratio of two thirds money debt to one third metals debt will be reversed. Paying high interest to buy metals which can themselves be borrowed at 1½ is one of many weird customs *of the former management* to be phased out.

The non-JMB businesses are earning less than they did four years ago. Pre-interest profits are down, and although the drop was accounted for by adverse currency swings, static profits from such supposedly jazzy businesses as catalytic systems suggest that the company is finding defence of a very large share of competitive markets a tough proposition. The South African factor alone should not be a reason for ditching the shares. Even if the curtain came down on Rustenburg, JM remains the world's biggest refiner of secondary platinum. It was not the oil companies that lost out through oil embargos and supply cutbacks.

Dawson

After Dawson International was jilted by Coats Patons, there was a fear that Dawson, not content with bringing a £6m breach of promise action, might marry unwisely on the rebound. However, this rational Scottish company has adopted a thoroughly proper attitude towards future relationships: they have to be with specialised textile companies, operating close to the customer and almost certainly, now, outside the UK.

It is therefore no surprise that Dawson is turning to the US for an acquisition that should put around £50m a year on turnover. By using a mixture of cash, of which it has plenty, and debt, of which it has little, Dawson will avoid fraying its earnings at the edges and should enhance its presence on the ground in a knitwear market that it must go to if customers presently jib at coming to the UK.

The year to March was a frenetic one on many fronts for Dawson. This will inevitably be a steadier year, and £45½m pre-tax is in view. Until the new plant comes on stream, capacity restraints will hold back knitwear sales growth. But the shift in the knitwear product mix towards higher value fancy and cotton goods has more than compensated by pushing trading margins up a full point to 14 per cent.

City lends an ear to Labour

Continued from Page 1

Smith's mission to explain has taken him around the UK, to employers' organisations, local business groups and a range of manufacturing companies wanting to hear what Labour has to say.

Mr Neil Kinnock, the Labour leader, has naturally been playing his part, though he, like Mr Smith, has tended to concentrate on the industrial sector.

Last month he went into the lion's den and spoke to Business International, a club of mainly US multinational companies which includes General Electric, Gestetner, IBM and Kodak among its members.

When the head of one multinational company told him that he considered his group to be outstandingly successful, Mr Kinnock said that would only be defined by its contribution to Britain's balance of payments. A poor contribution meant that a Labour Government would want talks to "see what could be done to change it." A horrified captain of international industry complained of "mercantilism," with which the Labour leader duly concurred.

Whoever is doing the talking, the principal message is that the Labour Party – which is leading in the opinion polls – now has in place a coherent, economic and industrial framework which is no longer riddled with the eccentricities spawned by extremist influences.

There is, according to one of Labour's economic team, "no fig leaf covering another set of loony proposals."

What really excites the Labour team and its advisers is that people apparently want to hear. Before the 1983 election, in which Mrs Margaret Thatcher's Conservatives increased their majority over Labour, few bothered to inquire about the economic policies of a party which seemed to have no chance of becoming the next government. In stark contrast, Labour spokesmen are now in demand.

Industrial and financial figures began to take notice of Labour's proposals last autumn, when Mr Kinnock made his stand against the party's extreme left wing. Interest has continued to increase since Labour's victory in the Fulham by-election in April. "Now people are falling over themselves to get us to speak to them," says one of Mr Hattersley's principal advisers. "Many now believe Roy will be the next Chancellor and they talk to him as though they accept it."

Mr Hattersley's team was openly delighted when the chief industrial economist for one of Britain's largest banks recently publicly declared his support for Labour's strategy, the sort of statement of political allegiance which might be commonplace in some financial markets but which can still raise eyebrows in London.

To imagine, however, that Labour and the City are finally in love would be to stretch the imagination too far. Labour accepts that the City's courting is as much to do with prudent pre-planning as with any overnight political conversion and that many of the meetings may be hard-nosed attempts to size up the enemy and then devise ways of outflanking them.

Even so, the Labour team takes encouragement from the City's apparent conviction about Labour's impending promotion. "To a large majority of City people, our policies remain anathema, although they invariably claim they are merely operators in the market and take no ideological stance.

"One merchant banking team, which has been heavily involved in the privatisation programme, expressed the hope that its involvement would not prejudice its chances of getting business if we started renationalising," according to a Hattersley man.

Plenty of grounds for disagreement remain. The plan to create a National Investment Bank, providing a state-owned bank investing institutional money in industry, smacks to the City of the sort of interventionist approach which it *loathes, nowhere more so than* when it comes to its own affairs.

Lunch hosts are being left in no doubt that Labour thinks the City has been given too much freedom to pursue its own excesses for too long and that a tougher, statutory framework for its activities is high on the list of priorities.

There is also a great deal of nervousness about personal taxation among those who stand to lose most under a Labour administration.

Mr Smith readily concedes that the same vested interests and suspicions confront him during his regional tours but claims that industrialists are appalled by the decline of the manufacturing sector and are increasingly responsive to suggestions for a fresh approach.

Mr Smith drums out the message *of a properly planned industrial* strategy, with a strong sponsoring department, a revitalised National Economic Development Office and a newly created British Enterprise Board which could set up wholly owned companies or go into partnership with private sector businesses.

The drive to reduce unemployment by 1m in the first two years of a Labour government, would be led by increased spending on construction, repairs and maintenance. The unions, he says, would play a crucial role in a tripartite relationship working to achieve a consensus for national recovery.

Mr Smith accepts there is a great deal of scepticism about the prospects for achieving a substantial reduction in the jobless total and that suspicions linger on over the special, not to say volatile, relationship between Labour and the trade unions.

Even so, he believes his reception around the country has been increasingly warm and his audiences increasingly receptive. He is ready to acknowledge that some of the applause might be polite rather than wholly positive. But he is in no doubt that it is getting louder.

Sicily poll a test for coalition in Rome

BY JAMES BUXTON IN ROME

SUNDAY'S poll to elect a new regional government for Sicily is being viewed in Rome as a test of the relative standing of the parties in the ruling coalition of the Socialist Prime Minister, Mr Bettino Craxi.

Mr Craxi and the Christian Democrat leader, Mr Ciriaco De Mita, have exchanged an unusally ferocious series of insults and challenges over the past two weeks.

The elections have been the occasion for the public wrangling, but the issue at stake is the question of how long Mr Craxi will stay in office. His Government has now been in power for nearly three years.

About 3m electors in Sicily will be able to vote on a new regional government to replace that elected in 1981.

The island is ruled by a coalition that includes the Christian Democrats, who won 41.4 per cent of the vote in 1981, and the Socialists, who gained 13.6 per cent. The Communists, with 17.8 per cent, have been in opposition.

Attention will be focused on whether the Socialists improve their position at the expense of the Communists, and whether the Christian Democrats succeed in cancelling some of the losses they suffered in Sicily in the 1983 general election, when their share of the vote fell to 33 per cent.

Since then, the Christian Democrats have made big efforts to purge their Sicilian organisation of its most blatant connections with the Mafia, following the round-up of Mafia criminals in 1984 and 1985, which culminated in the vast Mafia trial still in progress in Palermo.

The anti-Mafia campaign by the authorities could damage the standing of the ruling parties since it has led to a marked drop in casual employment in working class areas of the island's capital.

A strong performance by the *Christian Democrats would boost* the party's confidence at the national level and increase internal pressure on Mr De Mita to regain the premiership from Mr Craxi. Conversely, a boost for Socialists is likely to make Mr Craxi more determined to hang on.

The current loose arrangement between the two men is that Mr Craxi may stay in office until the end of the year. But this understanding has looked increasingly frayed in recent weeks.

GE-Fanuc link unveiled

Continued from Page 1

ing from single machines to complete product lines.

The move will help GE to expand its five-year-old US factory automation business into the European and Asian markets. GE has put more than $500m into its factory automation business – once touted as the linchpin of its "factory of the future" strategy.

GE insists that its factory automation business is successful and growing, but after running up losses of over $120m in the last three years it has been quietly scaling back growth projections.

The new company, chaired jointly by Mr Edward Hood, GE vice chairman, and Dr Inaba, will have three operating units; GE Fanuc Automation North America – 55 per cent owned by GE – GE Fanuc Automation Europe – a 50-50 venture – and Fanuc GE Automation Asia – 55 per cent owned by Fanuc.

Fanuc already has a successful US robotics joint venture – GMF Robotics – with General Motors.

World Weather

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Bonn shift on sanctions

Continued from Page 1

the House bill. "Legislation of this type would erode our capacity to promote negotiations in South Africa," said Mr Larry Speakes, the presidential spokesman.

Peter Bruce writes from Bonn: West Germany is close to abandoning its policy of virtual non-interference in South Africa. Although the Government easily, and predictably, defeated a Bundestag motion yesterday calling on it to apply "political and economic pressure" on Pretoria – in effect, sanctions – it agreed that "appropriate measures" to pressure South Africa into negotiating with black leaders would have to be adopted at the European summit in The Hague next week.

Although no measures were detailed, the very suggestion of action against South Africa because of its apartheid policies is a departure for the present Government in Bonn.

Further evidence of a sharpening of the government view came yesterday in a newspaper interview quoting Mr Volker Rube, the governing Christian Democrat (CDU) party's chief foreign-affairs expert, calling for a special meeting of the West German, US, British and French governments in order to help to concentrate the influence of the leading Western powers.

Mr Hans-Dietrich Genscher, the West German Foreign Minister, said during yesterday's Bundestag debate that establishing a climate that would encourage a dialogue between all groups in South Africa was a priority.

Air fare talks abandoned

Continued from Page 1

opposes the Commission's proposals, although they are broadly supported by Britain, the Netherlands and Ireland. France and West Germany yesterday submitted joint proposals seeking to maintain many of the current regulatory practices.

The ministers also failed to agree on a package of proposals to prop up the ailing maritime transport industry, by providing greater protection against price-cutting by third countries, and ensure greater competition within Community waters.

A similar lack of progress was registered on the long-debated issue of drive axle weights for lorries

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday June 20 1986

Privatisation of French banks still 'years' away

BY DAVID MARSH IN PARIS

PROPOSED privatisation of Société Générale, the third largest French nationalised bank, is likely to take several years to carry out because of the need for the bank to stock up its capital resources, Mr Jacques Mayoux, the chairman, said yesterday.

The bank, which last year had the highest capital to assets ratio of the big three nationalised banks taken into state ownership in 1945, believes it needs to double its capital backing to FFr 30bn ($4.2bn), Mr Mayoux said.

That might take about three years to carry out, given the capacity of the French capital market and other technical factors, Mr Mayoux said.

He emphasised, however, that Société Générale's far higher level of provisions compared with other international banks offset its relative undercapitalisation. Like the other big French banks, Société Générale has made a big effort to increase provisions in recent years, which totalled FFr 25bn at the end of 1985.

Mr Mayoux defended himself vigorously against allegations made in a provisional report from the Cour des Comptes, the government's accounting organisation. The report accused the bank of covering up exposure to risky clients in Brazil and Singapore, debts that required FFr 2.6bn in provisions at the end of last year.

Mr Mayoux said the bank adopted a conservative policy on provisions and pointed out that the final losses from its dubious Brazilian and Singaporean deals might be below the amount of provisions struck.

Mr Mayoux's comments on the likely slow pace of denationalisation match the private views of executives at the Banque Nationale de Paris and Crédit Lyonnais. Those two banks face the risk of falling credit ratings on foreign capital markets unless gradual privatisation is accompanied by substantial efforts to bring in new capital to boost their capital ratios to international standards.

Mr Pierre Bérégovoy, Finance Minister in the previous Socialist Government, meanwhile, said he believed the current administration's privatisation plans could be enacted only slowly because of the narrowness of the French financial markets.

He predicted that a future Socialist government would not be faced with many denationalised companies to consider returning to the public sector. "In two years' time, there will not have been many privatisations," he said.

Karstadt profits up despite weak sales

By Rupert Cornwell in Bonn

FURTHER COST-cutting and a streamlined stores policy helped Karstadt, the largest West German retailing concern, to show a respectable increase in group profit last year, despite a second successive drop in sales in 1985.

Group earnings at Karstadt, in which both Commerzbank and Deutsche Bank have stakes of over 25 per cent, climbed to DM 37.1m ($16.5m) from DM 23.9m in 1984. Turnover at both group and parent-company level declined by 1.6 per cent, to DM 12.01bn and DM 8.98bn respectively, and parent-company profit fell to DM 50.4m from DM 60.4m.

The sluggish performance by Karstadt reflects primarily flat consumer spending in West Germany in the last few years, as well as the failure – shared by most other leading retail companies – to adjust to the changing habits of shoppers.

Mr Walter Deuss, Karstadt's chief executive, told a press conference that restructuring 44 of the group's 162 stores had already cost DM 50m. Further and familiar difficulties continue to bedevil Neckermann, the group's mail-order subsidiary, which balanced its books in 1985 only by revenue from sales of property. "Neckermann has once again been a disappointment for us," Mr Deuss said.

However, signs are growing that 1986 may see a changed trend. Sales of the parent, Karstadt AG, rose 3 per cent in the first five months, implying a volume rise of a similar amount, given the virtual absence of inflation.

Neckermann is still languishing, though. Its sales between January and May dipped by 5 per cent to DM 653m, while NUR-Touristik, the travel subsidiary, which has also been a headache for Karstadt's management, also suffered a decline in turnover, by 2.5 per cent, to DM 1.02bn.

General Motors' losses double in Australia

BY LACHLAN DRUMMOND IN SYDNEY

GENERAL MOTORS-Holden, the Australian arm of GM, yesterday announced a doubled net loss for 1985 of A$100.4m (US$69.7m) despite a 10 per cent increase in sales to A$1.6bn and increased market share.

Combined losses since 1980 now total A$532m. Mr Charles Chapman, managing director, said the main reasons for the results were the devaluation of the Australian dollar and high interest rates.

Expenses associated with introducing unleaded petrol vehicles and new model start-up costs also had an effect.

Despite the mounting losses, Mr Chapman forecast A$320m of further investments in coming years on plastics, metal stampings and assembly operations. He called the latest result "disappointing following the gains made in 1984."

"We are very disappointed that the currency movement and interest rates have hidden the fact that we achieved much improvement in our domestic and export sales."

Last year, GMH increased its share of Australian passenger car sales from 20.8 per cent to 22.2 per cent but remained third behind Ford and Toyota.

GMH and Nissan – which lost A$37m in 1985 – are the only local manufacturers to fall into the red last year with Ford recording a record A$103m profit, AMI-Toyota more than A$10m and Mitsubishi Motors about A$1m.

German bank merger halted

By David Brown in Frankfurt

PLANS to create a large new regional bank in West Germany have been dealt a serious blow after the unexpected withdrawal of one of its four prospective partners.

The merger involved Baden-Württemberg's two existing regional (or Landesbanks) – Landesbank Stuttgart and Badische Kommunale Landesbank – with the Karlsruhe-based Landeskreditbank and the country's second biggest savings bank, Stuttgarter Landesgirokasse.

The new state bank – which was to have opened its doors at the start of next year with a balance sheet of almost DM 110bn ($49bn) – would have been one of the ten biggest banks in West Germany.

However, the managing board of the Stuttgarter Landesgirokasse has now rejected the proposal, saying it does not offer sufficient business advantages to justify a provision requiring it to close some 80 of its branch offices in the region.

Another element is uncertainty over the extent of expected future write-downs on bad investments – after a series of failed property loans – at the Badische Kommunale Landesbank.

German Esso's profits decline

BY OUR FINANCIAL STAFF

SHARPLY contrasting results were announced yesterday by the West German arms of the US oil groups Exxon and Mobil.

Net profits at Esso AG, depressed by stock writedowns and costs relating to plant closures, tumbled by almost half for 1985 to DM 190m ($85m). At Mobil AG, net profits rose to DM 352m from DM 121m in 1984.

Mr Wolfgang Oehme, Esso's chairman, emphasised that 1985's extraordinary costs resulted from closing an ethylene installation at Cologne and an oil refinery at Hamburg. Trading so far in 1986 had been much brighter, he said.

Earnings per ton of processed oil had risen to DM 40 and net profits for the first six months of 1986 were expected to emerge around DM 150m. "The trend in processing and distribution in the first half was positive."

Mr Herbert Detharding, Mobil AG chief executive, said exploration and production profits rose to DM 404m last year, up from DM 255m in 1984. Losses in processing and distribution contracted to DM 52m.

He predicted that for 1986, Mobil AG would show profit both from exploration and production as well as processing and distribution.

The company is to reduce its DM 1bn capital to DM 600m. The DM 400m nominal of stock is to be repatriated to Mobil Oil in the US.

Hungarian offshore bank earns $6m

BY LESLIE COLITT IN BERLIN

COMECON'S only offshore bank, Central European International Bank (CIB) in Budapest, reported earnings of $6.3m last year and has declared a 15 per cent dividend.

Assets of CIB, owned jointly by the Hungarian National Bank (34 per cent) and six Western banks, rose 20 per cent to $386m. The bank's primary capital stood at $38.8m.

Until now CIB, formed in 1979, was only permitted to extend hard-currency loans to Hungarian companies and co-operatives and to accept their deposits in convertible currencies.

In addition to its investment and trade financing, CIB this year entered the leasing business and financed $10m worth of Western machinery for Hungarian companies. That was only the start, it believed, as Hungary wanted to permit its companies to lease Western machinery worth $500m from now until 1990.

Mr Matthias Kunsch, the Austrian general manager of CIB, said that although Budapest was scarcely a centre of international finance, no restrictions were imposed by the authorities.

He noted that the reform of the Hungarian banking system, with the partial hiving off of commercial operations by the National Bank, would bring improved service for clients.

Earlier this year, the Central Exchange and Credit Bank of Hungary and Citibank of New York established a joint commercial bank in Budapest, Hungarian American Bank.

Steyr to cut 800 jobs

By Patrick Blum in Vienna

STEYR-DAIMLER-PUCH, Austria's troubled vehicles and weapons group, will lay off 800 workers next month because of a decline in international orders for trucks and tractors, the company said.

Since the begining of the year, the company has laid off about 700 of its workforce, which now stands at about 13,000.

Squibb may spin off unit

By Our Financial Staff

SQUIBB, the US pharmaceuticals group, has received a request from the management of Charles of the Ritz Group, its fragrance and cosmetics subsidiary, to consider a leveraged management buy-out spin-off or public offering of the unit.

Squibb and the unit's management have hired Goldman Sachs, the Wall Street investment bank, to study those alternatives, as well as a possible private sale, with a view to "maximising Squibb shareholder value and opportunities for Charles of the Ritz Group and its employees."

The unit, which produced the Yves Saint Laurent and Jean Nate fragrance lines, contributed 21 per cent of Squibb's 1984 sales of $1.9bn.

● Time, the US media group, has approved a plan to buy in up to 10m of its common shares, worth $870m at current market prices. The board also authorised its American Television and Communications cable TV unit, as expected, to file with the Securities and Exchange Commission for the sale of up to 20 per cent of the unit's stock.

● Mr Harold Simmons, the Dallas investor recently involved in a takeover tussle at Sea-Land, has turned his attentions to NL Industries, the struggling oil services and equipment group. Yesterday he offered to negotiate a cash merger at $15 a share, valuing the group at $930m.

● Royal Crown Cola, the Illinois-based soft-drinks group, has filed an anti-trust suit in a US district court in Georgia seeking to block the acquisition of Dr Pepper by Coca-Cola and that of Seven-Up by PepsiCo.

● Cominco, the Vancouver-based mining group, said it expected to raise $150m in cash after its recent decision to sell Cons gold mine, West Kootenay Power and Light and Western Canada Steel. The proceeds would be used to develop the company's Red Dog lead-zinc mine in Alaska, Mr Norman Anderson, chairman, said.

Sea Containers set for quarterly loss

BY WILLIAM HALL IN NEW YORK

SEA CONTAINERS, the Bermuda-based container shipping group, yesterday announced that it expected a loss in its second quarter and had temporarily delayed plans to take over its financially troubled Seaco affiliate, a leisure group with interests ranging from hotels to the Orient Express tourist train.

Mr James Sherwood, president of Sea Containers, said at the company's annual meeting in New York that the takeover had been delayed while Seaco's financial adviser, Dillon Read, tried to find an independent buyer.

Mr Sherwood said Seaco was in considerable difficulty and owed Sea Containers $50m. He said that by taking over Seaco, Sea Containers could arrange an orderly sale of its assets, protect its own investment and preserve some value for Seaco's own shareholders, which he estimated at $3 a share.

He said that if Seaco was allowed to "go under," Sea Containers might lose up to half of the $50m it had advanced on an unsecured basis.

Until Seaco's long-term future is resolved, Sea Containers has agreed to provide limited interim cash support on a fully secured basis.

Seaco, which has been trying unsuccessfully to sell its small container-shipping fleet, has suffered through overcapacity in the container-shipping industry. That, combined with the sharp downturn in US tourism in Europe this year, has combined "to create strains upon the company that cannot be met without sales of certain of the company's leisure properties."

Sea Containers, which earned $40m on sales of $573m in 1985, says it expects earnings to be lower in 1986 but to improve considerably in 1987.

Until 1984 the shares of Sea Containers and Seaco were linked by a pairing arrangement that allowed the earnings of Sea Containers to flow directly to shareholders, free of US tax. After the US Treasury Department contested that arrangement, the two companies were reorganised and the shares de-paired.

IBM chairman warns of continued poor results

BY PAUL TAYLOR IN NEW YORK

IBM, of the US, the world's largest computer maker, is likely to suffer a continuation in the current quarter of the first quarter's dull results, according to Mr John Akers, chairman and chief executive.

In the 1986 first quarter, IBM reported only a marginal increase in earnings to $1.02bn or $1.65 a share from $986m or $1.61 a share a year earlier.

Mr Akers's comments, to analysts in San Jose, California, will confirm Wall Street's concern about IBM's recent performance and the outlook for the US computer industry in general. IBM's shares have lagged the stock market in recent months.

Mr Akers said US revenues were lower than those of a year ago but worldwide revenues are up "modestly," largely because of services revenue and the declining dollar, which has helped to boost non-US revenues by about 20 per cent over the year.

Despite his relatively gloomy short-term assessment, the IBM chief executive added that economic factors suggested that "the prospect is brightening as we look towards 1987."

IBM cut expenditure on meetings, travel and consultants by $700m last year and promised more cost reductions in the future. By year-end he said the group would have fewer total employees than at the start of the year.

Boardroom reshuffle at Boliden

By Kevin Done in Stockholm

THE TOP management of Boliden, the troubled Swedish mining, metals and trading company, is to be reshuffled after the acquisition of a 40 per cent stake by Trelleborg, the Swedish rubber products group.

Mr Kjell Nilsson currently a divisional head in Trelleborg, is to become managing director. Mr Rune Andersson, Trelleborg group chief executive, has already taken over as chairman of the Boliden board.

Mr John Dahlfors, presently managing director of Boliden, is to become executive deputy chairman and will assume the role of group chief executive.

The board is to form an executive committee that will include Mr Andersson, Mr Dahlfors and Mr Nilsson.

Boliden has endured several turbulent months in which the ownership of the company has been unclear and in which its profitability has plunged, partly because of the steep fall in metals prices.

INTL. COMPANIES & FINANCE

Safeway takes Dart to court over bid

BY LOUISE KEHOE IN SAN FRANCISCO

SAFEWAY STORES, the US supermarket chain, has filed suit in San Francisco against the Dart Group, a small Maryland retailing group, and related entities in what appears to be an effort to prevent an unfriendly takeover attempt.

The move was described by Safeway as being aimed at protecting shareholders and "to benefit the financial community."

Safeway has accused Dart and the Haft family, which controls Dart, with attempting to "coerce Safeway into paying 'greenmail' or to put Safeway 'in play' so that the defendants can gain a quick profit." Dart lacks the financial capability to take it over, Safeway says.

Last week, Garden Partnership, which is 95 per cent owned by Dart, announced that it had acquired 5.9 per cent of Safeway's stock with a view to acquiring a majority stake or all of the company.

Safeway's complaint alleges that Dart's takeover attempt is "part of a continuing pattern of illegal action." Safeway accuses Dart of using similar tactics to extract payments from May Stores and Jack Eckerd.

Safeway claims that the Dart Group collectively "tipped" arbitrageurs about the purchases of Safeway stock and accuses Dart of being an "unregistered investment company."

Chicago Pacific to take over Rowenta

BY PAUL TAYLOR IN NEW YORK

CHICAGO Pacific, the US holding company, is buying Rowenta, a leading European home-appliances group, from its joint-venture parents, Allegheny International and Rothmans Deutschland.

Chicago Pacific was formed from the bankrupt Chicago, Rock Island and Pacific Railroad, and bought Hoover, the US electrical appliance maker, for $533m last year.

Rowenta's products include food preparation, cooking, clothing care, personal and dental care equipment. The company is based near Frankfurt and has manufacturing operations in West Germany and France and marketing operations in every European country.

No details of the proposed deal, which was announced by Hoover, were disclosed.

Hoover was Chicago Pacific's first big acquisition after it emerged from the Chicago Rock Island bankruptcy proceedings flush with cash. Earlier attempts to acquire Scovill, a Connecticut-based consumer and industrial products group, and Textron, a Rhode Island conglomerate, failed.

SGS seen as bidder for Exxon microchip unit

BY OUR SAN FRANCISCO CORRESPONDENT

SGS MICROELETTRONICA, the leading Italian micro-electronics company, which is owned by IRI-Stet, the state holding group, is understood to have made a bid for Zilog, a US semiconductor manufacturer owned by Exxon, as reported in brief yesterday. The companies declined to comment, but the reported bid is believed to be the highest of several offers Exxon has considered over recent weeks.

SGS has a long-standing business relationship with Zilog as the alternative supplier of the US company's microprocessor products. Other bidders for Zilog are understood to include Rohm, a semiconductor company that distributes Zilog's products in Japan.

Exxon is not expected to make an immediate decision on the sale of Zilog, but must consider the prospect of a broad downturn in semiconductor sales over the summer months, which might depress Zilog's earnings and affect its market value. Exxon is understood to have set a deadline of the third quarter of this year for Zilog's disposal.

Exxon acquired Zilog in 1981, but the semiconductor company has failed to live up to expectations. It led the market in the late 1970s with a microprocessor that was widely used in personal computers and electronic controllers, but its more recent products have failed to achieve the same market penetration.

OMV earnings fall sharply

By Patrick Blum in Vienna

OMV, AUSTRIA'S state-owned oil and gas group, recorded a sharp fall of over 40 per cent in earnings in 1985 because of the decline in oil prices, Dr Maria Schaumayer, a director of the group, said yesterday.

Earnings before tax and allocations to tax-exempt provisions fell from Sch 1.78bn ($113m) in 1984 to Sch 1.017bn last year on an increased turnover of Sch 61.87bn

INTL. COMPANIES & FINANCE

Jonathan Carr on the German electrical group's refound strengths

Kaske strategy enlivens Siemens

SIEMENS disclosure earlier this week of plans for a determined attack on the UK computer market represents a further step in the policy of more aggressive marketing laid down in recent years by Mr Karlheinz Kaske, the West German electrical group's chief executive.

Mr Kaske, who took over the top job at Siemens in 1981, has been called a "mailed fist wrapped in a velvet glove" by more than one seasoned observer. Even allowing for exaggeration, there is a lot to be said for the description.

When Mr Kaske moved into the top job at the age of 52, he was not well known outside the company. Insiders emphasised that he was an excellent physicist (born in Essen; he gained a doctorate in physics at Aachen University) and "a Siemens man through and through."

Indeed, apart from a period elsewhere in the 1950s, he has spent his entire career with the Siemens group. He was said to delegate well, be a good listener and to hate any kind of exaggeration. Some critics called him "colourless." In 1981 Siemens seemed to be in for a steady, unspectacular period under his leadership.

Then came the shocks. Within a year the head of Siemens' computer division had been moved and the chief of the electronic components sector had resigned. Moreover, the labour force was out from its (hitherto) high point of 338,000 in 1981 to 313,000 in 1983.

These were only the most obvious changes. As well as a formal revamping of company organisation, new efforts were made to bring greater informal contact between divisions: for instance between research and marketing. Flexibility became the key word.

Questioned later about the changes, Mr Kaske gave a characteristically dry reply: "What needed to be done was done." He rejected any suggestion that, as a new broom he had to sweep away problems bequeathed by his predecessor, Mr Bernhard Plettner.

Indeed, in his decade as chief executive Mr Plettner had several big successes to his name. But it is also a fact that between 1975-76 and 1980-81 (the Siemens business year runs to September 30) profits fell steadily as a percentage of sales.

Even for a company priding itself on taking a "long-term" view of profits, rather than pouring with fascination over quarterly earnings results, this was a matter for concern.

The truth is that the huge electricals concern, renowned for its competence and perfectionism, had developed rather flat feet — at least compared with nimble competitors in the US and Japan. In short it seemed to be trying to make too many products for too many markets.

Mr Kaske set new priorities and also showed iron determination in seeing they were carried out. Marginal, less profitable, activities were pruned to help ensure healthier growth elsewhere.

The components division is a good case in point. Months after Mr Kaske became chief executive, two components plants were closed and the divisional head, Mr Friedrich Baur, had stepped down.

At the time, that was something of a sensation, for Mr Baur was widely seen as the architect of the Siemens programme intended to close the gap in microelectronics which had opened up vis-a-vis the US and Japan.

Mr Kaske well knew that Siemens had to have its own integrated circuit (and computer) technology to stay competitive in its other fields of activity. But that did not mean that components production would not benefit from trimming and concentration. Quite the opposite.

Since then Mr Kaske has thrown his full weight and a lot of Siemens money behind the crucial programmes to develop one megabit and four megabit memory chips (partly with Philips of Holland).

As well as microelectronics Mr Kaske identifies three other key sectors promising especially strong growth: telecommunications, office automation and factory automation.

Karlheinz Kaske; "A mailed fist in a velvet glove"

It is into these four main growth sectors that Siemens is now plunging most of its research and development spending, likely to total about DM 5.5bn this year after DM 4.8bn last year.

Another important aim is to boost the company's presence, still relatively modest, on the key US electricals and electronics market. Group sales there last year totalled DM 5.1bn — up from DM 4.4bn but still accounting for less than 10 per cent of group turnover compared with nearly 75 per cent from the European market.

The company's US experience is a mixture of setbacks and chances seized. For example, it failed to win the bidding for Allen Bradley, a US factory automation company which would have fitted perfectly into the Kaske strategy. On the other hand it looks well set to sell its digital telephone exchanges in the US.

As for Japan, Siemens under Mr Kaske has been highly pragmatic. The group has not been keen on buying Japanese know-how when it thinks it will win time, and hence money — for example through the co-operation accord with Toshiba in connection with the One-megabit project. It has also been taking its big mainframe computer (less than 10 per cent of Siemens total computer business) from Fuji.

But Mr Kaske warns Europeans against gazing at Japan "like rabbits at a cobra's head" as though doomed to accept an inferior place in the world competitive stakes. He has personal cause to know. In the late 1960s he spent some time in Japan as Siements consultant to Fuji Electric.

The Siemens results appear on the whole to be a powerful argument in favour of the Kaske strategy. Last year net profit was up by 48 per cent to DM 1.5bn on turnover of DM 54.6bn—a return on sales of 2.8 per cent compared with 1.5 per cent in 1980-81.

But both sales and profits were lower in the first half of this year, not least because of the falling dollar, and the Chernobyl affair has raised a new question mark for the group.

Will the recent nuclear power station disaster at Chernobyl tend to harm Siemens' own building activities in this field, or may it mean increased orders on the grounds that German nuclear power reactors have a top-line safety record?

One thing is certain: Mr Kaske is not a man of extremes, and is as little euphoric over Siemens' good results as he was pessimistic five years ago over the problems then facing him at the helm.

INTL. COMPANIES & FINANCE

Survival at stake as Dome enters futher tussle with creditors

BY BERNARD SIMON IN TORONTO

DOME PETROLEUM, Canada's third biggest oil producer and one of the world's largest corporate debtors, is about to embark on another round in its four-year, life-or-death bout with 56 North American, European and Japanese creditors.

Within 16 months of reaching an agreement to stretch repayments on the bulk of its C$6bn (US$4.3bn) debt to the mid-1990s, the Calgary company plans to ask its lenders to make further sacrifices by converting some of their loans to equity and perhaps even writing off some of their entitlements.

No one knows at this stage whether Dome will survive yet another round of tough negotiations. Much is at stake for the company, the Canadian energy industry and the banks. As Canada's biggest independent oil and gas producer, Dome's success may influence the fate of about two dozen other Alberta-based companies feeling the squeeze of low oil prices and heavy debt burdens.

Canadian banks are better equipped to deal with Dome's problems than they were when the company came close to collapse in September 1982. But they still stand to pay a heavy price for loans advanced to finance Dome's acquisition binge during the energy boom of the late 1970s and early 1980s.

Viewed from one angle, many of the participants in the coming negotiations are preparing, *if necessary, for a quiet burial.* One of the biggest creditors, Toronto-Dominion Bank, earlier this month classified its C$738m Dome portfolio as a non-performing loan. Several smaller lenders, including Barclays Bank and Credit Suisse, are understood to have written off at least part of their loans to the company.

"It is not our intention to operate the company as a bone-picking situation for lenders"—
Howard Macdonald, Dome's chairman

Mr Howard Macdonald, the stout Scot who came to Calgary three years ago to put Dome back on its feet, shows signs of *irritation at the prospect of yet* another round of interminable negotiations with 56 lenders each with different interests, exposures, and security.

Mr Macdonald, nicknamed "Napoleon" by some New York bankers, says that "it is not our intention to operate the company as a bone picking situation for the lenders."

Well aware that the banks would have trouble finding anyone else to take his job, the *Dome chairman adds* mischieviously that "my advantage is being a foreigner I can always go home."

Howard Macdonald: facing interminable negotiations

Dome's board gave him a merit pay increase last September, bringing his 1985 earnings to C$971,000.

The loan write-offs and Mr Macdonald's threats may however, be no more than efforts to jockey for an early advantage in the forthcoming negotiations to restructure the company.

One senior Dome official points out that the banks "may have written us off their books but they haven't written us off their minds." Mr Macdonald himself told the annual meeting in Calgary this week that, like Mark Twain, "reports of our death have been greatly exaggerated." He has raised the possibility of selling the company sometime in 1987.

Dome appeared to be turning the corner last autumn after running up losses of C$1.7bn between 1982 and 1984. Asset disposals raised C$1.1bn and enabled the company to concentrate on its three core businesses of Western Canadian oil production, natural gas and gas liquids, and contract drilling in the Beaufort sea, off Canada's Arctic coast.

Corporate expenses fell by 20 per cent in 1984 and by another 23 per cent last year. The company doubled cash reserves in 1985 and managed to post a small profit of C$7m. It raised C$114m in a public share issue last year.

But Dome needs an oil price of about US$25 a barrel to break even. The world oil slump pushed Dome back into a C$72m loss in the first three months of this year, including a C$79m gain from the sale of shares in its gold mining affiliate, Dome Mines. The second quarter deficit is likely to be well above C$100m.

Dome's position may be further weakened later this year when the Canadian government deregulates natural gas prices. Competition for markets is already intense.

As the plummeting oil price began to drain cash away, Dome curtailed interest and principal payments earlier this year on the bulk of its debt. Cash reserves dwindled to C$273m at the end of April, and are now probably not much more than C$150m.

The company has cut its capital budget by 44 per cent, laid off staff and shut 250 of its high cost heavy oil wells. It will save C$390m in debt repayments between May 1 and the end of October under terms of an interim standstill agreement concluded with lenders three weeks ago.

Mr Macdonald has urged federal and provincial governments to come to the aid of independent producers by cutting royalties from 23 per cent to about 15 per cent and immediately abolishing a controversial 10 per cent petroleum and gas revenue tax, which is due to be phased out over the next three years. If implemented, these two measures would save the company C$140m a year.

Dome aims to complete negotiations on the financial restructuring by October 28. Without new concessions, it will not be able to meet payments on a C$63m Swiss loan which falls due the next day. As things now stand, Credit Suisse, agent for the investors who subscribed to the private placement, would be under a fiduciary duty to call in the loan, thus precipitating Dome's collapse.

Similar deadlines have come and gone before in the Dome saga. The banks are by no means a cohesive group. Marubeni of Japan provided Dome with an extra C$40m last year to buy an Arctic drilling vessel and was the first to sign the interim standstill agreement last month.

By contrast, Canadian Imperial Bank of Commerce—which has a high proportion of unsecured loans—has taken a tough line. A cartoon drawn to commemorate the latest round of negotiations shows a CIBC banker diving into an igloo to *retrieve his bank's money.* Other unsecured creditors are tugging at the back of his parka, trying to get him out.

Uncertainty surrounding government energy policies could also delay a settlement. Rumours abound that Miss Pat Carney, Federal Energy Minister, *will be moved to another* portfolio in a Cabinet shuffle expected later this summer.

The main factor favouring Dome's survival and a quick response to its latest plea for help, is that the lenders may have less to lose bv making further concessions than by pushing the company *into default.*

"I don't think anyone ... is going to see a lot of benefit in bringing (Dome) down"—
Donald Fullerton, chairman of Canadian Imperial Bank of Commerce

Mr Donald Fullerton, CIBC's chairman, said recently that "I don't think anyone in the ultimate analysis is going to see a lot of benefit in bringing it down."

Dome remains a powerful force in the Canadian energy industry with valuable assets. It has proven reserves of 293m barrels of crude oil and natural gas liquids and 4.4 trillion cubic feet of natural gas. Gross land holdings total 53m acres, more than any other Canadian company.

Seven of 100 rigs operating in Western Canada are contracted to Dome and the company estimates that it contributes about 10 per cent to industry capital spending.

Dome's view is that it is a more valuable and viable asset in its present form than as a collection of bits and pieces under a receiver's hammer and enmeshed in a net of lawsuits.

According to Mr Macdonald, "We've told the banks that if they want the keys, they can have the keys." None has taken up his offer in the past four years, and the odds seem to be that none will do so.

Placer to raise A$128m by Australian flotation

BY LACHLAN DRUMMOND IN SYDNEY

PLACER DEVELOPMENT, the Canadian mining house, is to raise A$128.75m (US$89.21m) through the Australian flotation of its Pacific gold interests.

Placer is to offer A$1 shares at par to Australian investors as part of its commitment to introduce a greater level of local equity into its 70 per cent owned Kidston gold mine in Queensland.

However, rather than sell more direct equity in Kidston, Placer has offered 21.4 per cent of Placer Pacific, which in addition to Kidston holds prime advanced gold prospects in Papua New Guinea and Australia and a portfolio of prospective acreage in the region.

The two mainstays beyond the highly profitable Kidston mine are the one-third owned Porgera deposit in Papua New Guinea, and the Mesima Island deposit offshore PNG.

Porgera has proven and probable reserves of 76.8m tonnes grading 3.8 grammes a tonne gold with a high grade zone of 1.7m tonnes grading 40 grammes — or almost 1¼ ozs a tonne.

The group also has 10 per cent of Mesima which has 62.1m tonnes grading 1.3 grammes a tonne gold and like Porgera has significant silver grades. A feasibility study on Mesima is expected to be complete by year-end with an expected production schedule of some 209,000 oz of gold and 2.35m oz of silver in its initial years.

Research reports from the underwriters, McIntosh Hamson Hoare Govett and Wilson & Co, suggest Porgera could support an extraction rate of 750,000 oz a year. Including the smaller Big Bell project in Western Australia, Placer Pacific's total mine production would reach 1.4m oz a year of gold, with the company's equity share at 700,000 oz a year.

The underwriters have estimated that Placer Pacific will earn A$43.7m for calendar 1986 followed by a fall to A$36.4m. and then rising to A$51m in 1988 and A$111m in 1989 as Placer's properties come fully onstream. A US$340 an oz gold price assumption is used.

Tight export margins hit Mazda

BY YOKO SHIBATA IN TOKYO

MAZDA MOTOR, the Japanese car maker in which Ford of the US holds a 24.3 per cent stake, had its earnings slashed by half in the six months to April as the rising yen squeezed export margins.

Pre-tax profits were Y16.03bn ($95.64m), down 51.9 per cent, while net profits plunged 55 per cent to Y6.88bn. Turnover at Y839.2bn was up 11 per cent.

Mazda said that despite the difficult climate of sluggish domestic demand and increased competition, total factory sales gained 8.3 per cent to 711,967 units. It sold 453,363 cars, up 6.1 per cent, and 258,604 commercial vehicles, a rise of 12.5 per cent.

Sales in the domestic market fell by 3.7 per cent to 179,313 units, while exports showed a 13.1 per cent gain to 532,654 vehicles. The overseas growth reflected strong demand for new models such as the 323 and RX-7 in North America and Europe. Its exports of pick-up trucks fared well in North America.

Following the yen's steep appreciation, Mazda has cut directors' bonuses by 15 per cent. As part of longer-term counter-measures against adverse currency shifts, the company is constructing a US car manufacturing plant in Michigan, where output is to start in autumn 1987.

Mazda did not give a full-year earnings projection, but it has maintained the interim dividend at Y3.50 per share.

Singapore eases rules on foreign participation

By Chris Sherwell in Singapore

FOREIGNERS can hold a majority stake in stockbroking firms in Singapore, the government has confirmed. It will also allow banks and foreign brokers to deal in stocks on the new Unlisted Securities Market.

The decisions were revealed by Mr Joseph Pillay, managing director of the Monetary Authority of Singapore (MAS), the island state's powerful financial regulatory agency.

He was speaking at the annual dinner of the Association of Banks, the first time a MAS official has done so. The authority is usually reluctant to say anything in public, and bankers said the change indicated the MAS was responding to complaints about its past aloofness.

His most significant remarks, however, concerned the stockbroking industry, because he stated publicly what had previously only been privately expressed.

The MAS, he said, was prepared to let foreigners hold more than 50 per cent of stockbroking houses "so long as they demonstrate technical and marketing ability and are committed to introducing new foreign business."

The Stock Exchange itself, he said, was "prepared to countenance foreign equity participation," but he did not say how much. In fact several local brokers and the Big Four local banks which now have membership of the exchange are known to be against majority foreign participation.

Regarding the Unlisted Securities Market, which will be launched before the end of the year, Mr Pillay said the exchange would create a new class of membership — "approved associate members" — to enable banks, merchant banks and foreign stockbrokers to deal in stocks on the market.

Mr Pillay also revealed the MAS's latest figures for bank loans to the troubled Singapore broking industry, which show a disappointing lack of improvement on the March figures. Loans outstanding amount to S$760m (US$341.6m), marginally less than the S$764m for March. The level last November, before the closure forced by the forward contracts crisis, was S$1.06bn.

Loans outstanding for forward contracts now stand at S$321m, compared with S$376m in March.

James Hardie net earnings hit by closures

JAMES HARDIE INDUSTRIES, the Australian building products group, has written off A$31m (US$21.5m) of extraordinary losses reflecting closures and disposals as part of a wide-ranging rationalisation programme, writes Our Financial Staff.

The charge wiped out nearly two thirds of its A$47.42m net earnings for the year to March, which in turn showed only a marginal rise from the A$47.15m for 1984-85.

Turnover was up 13 per cent at A$1.56bn.

C. H. Tung bankers provide guarantee to pay for ships

BY OUR TOKYO STAFF

A GROUP of five banks supporting th beleagured C. H. Tung Shipping group of Hong Kong has agreed to provide a guarantee of payment for 12 ships on order from Japanese shipyards.

The syndicate has guaranteed that if the ships, scheduled to be delivered to the Tung group by the end of August, are not accepted for delivery, the banks will pay 10 per cent of the order price. This is in response to the fears of the Japanese shipyards which have sought greater certainty on method of payment, price, and timing of delivery.

The 12 eships, out of 24, which Tung originally ordered from Japanese yards, form a focus of the group's rescue plan. In particular, four container vessels built by Mitsubishi Heavy Industries (MHI) play a crucial role

Tung is to hold a meeting of 140 major creditors on July 26 to seek consent for its restructuring programme drawn up in the middle of May.

Otis retains payout policy

BY JIM JONES IN JOHANNESBURG

OTIS ELEVATOR, the South African lift and escalator company which is 51 per cent-owned by United Technologies of the US, persisted with its policy of distributing practically all its earnings in the half-year to May.

Although operating profits rose to R5.94m ($2.53m) from R4.60m, a drop in interest receipts left pre-tax profits down at R6.12m from R6.33m.

The directors say that the economy is in worse shape than expected, that the building industry is in the doldrums and that irrecoverable costs have increased with the rand's decline and the imposition of an import surcharge.

First-half earnings slipped to 18 cents a share from 18.5 cents and an interim dividend of 17 cents has been declared against last year's 18 cents.

Guthrie Corporation

IT WAS incorrectly stated in the Financial Times of June 18 that Guthrie Corporation had a shareholding in a Malaysian trading house. This should have referred to Kampulan Guthrie, a separate company.

JAPANESE COMPANY RESULTS

NIPPON COLUMBIA
AUDIO EQUIPMENT

Year to	Mar '86 Y	Mar '85 Y
Revenues (bn)	82	78
Pre-tax profits (bn)	2.03	1.66
Net profits	0.46	0.36
Net per share	7.48	5.79

VICTOR COMPANY OF JAPAN
VIDEO AND AUDIO EQUIPMENT

Year to	Mar '86 Y	Mar '85 Y
Revenues (bn)	700	765
Pre-tax profits (bn)	19.36	48.77
Net profits (bn)	10.89	23.35
Net per share	47.12	101.04

YASKAWA ELECTRIC
INDUSTRIAL MOTORS

Year to	Mar '86 Y	Mar '85 Y
Revenues (bn)	165	156
Pre-tax profits (bn)	5.45	6.65
Net progts (bn)	3.14	2.75
Net per share	14.69	12.96

INTERNATIONAL COMPANIES and FINANCE

Adrian Dicks looks at the wider implications of a FM 250m bond from NIB

Issue seen as test of Finnish liberalisation

LAST WEEK'S FM 250m bond issue by the Nordic Investment Bank added a new instrument to the repertoire of the small but increasingly lively Helsinki capital market. Bank of Finland has permitted the currency to be used to denominate an issue, up to half of which can be sold to investors outside the country.

Coming exactly a year after the central bank stepped into block fresh foreign purchase of Finnish bonds in response to an unprecedented wave of foreign buying, the NIB issue is being viewed as a test by the market and the authorities alike. Once the listing formalities are complete, the bonds will be quoted on the Helsinki Stock Exchange, at which point the 50 per cent reserved for domestic investors will also be available for foreigners to buy in the secondary market.

The Helsinki-based NIB, which is among the Euromarket's most seasoned supranational borrowers, is obtaining five-year money through a bullet issue for 9¾ per cent and is assumed to have a need for Finnish currency. Kansallis-Osake-Pankki (KOP) is lead manager and book runner, with its two principal Finnish rivals, Union Bank of Finland and Postipankki, as co-leads. The Helsinki financial community has been fascinated by unaccustomed sight of tough negotiations between the banks over the terms of the issue, originally believed to have been canvassed at a tight 9¼ per cent—fully 2½ percentage points below the terms of a bond for KOP itself currently in the market.

Initial demand has been strong not only, as expected, from the Swiss, German and Austrian investors attracted by a high yield in a stable currency, but also from Japanese, British and US investors.

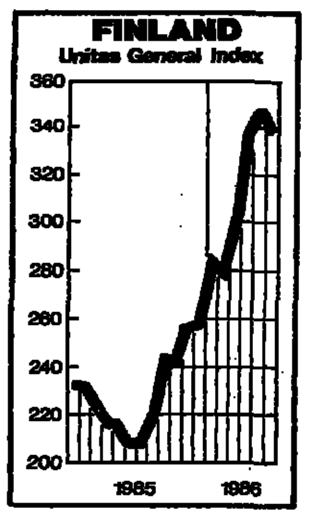
Mr Esa Cleve, a KOP vice president, is pleased to have a broad co-management group to include 15 institutions from a spread of countries with Bank of Aland, Okobank and Citicorp Finland to represent the local banking community.

Finnish bankers are already drawing up at least mental lists of further borrowers in the new market, headed by the World Bank and perhaps including one or two other supranationals. So far none has publicly expressed interest, however, and it would be unwise to expect any surge. Few borrowers save for Finns themselves, would be interested in the Finn mark other than for swapping—a technique to which the central bank is thought to be opposed. Also neither the Finnish Government nor the corporate sector appears likely to have any immediate need to borrow.

Bank of Finland sees the NIB issue as an experiment. "After it's all over, we will consider what to do next," says Mr Sixten Korkmann, head of the monetary policy department. "There may be some more individual cases, but there is going to be no general opening up of the market or of a Euro-Finn market sector."

For the politically independent central bank, the experiment has to be seen in the context of a broader liberalisation of the Finnish economy and, in particular, the capital formation process. It believes the internationalisation of the currency ought to be the last piece to be put in place. It has been more willing to let Finnish borrowers go to the Euromarkets and, according to Mr Kaarlo Jannari, head of the central bank's office for financial markets, has used its system of permits mainly to ensure orderly queueing that will protect the standing of Finnish names as a whole.

The central bank's chief concern—shared by private bankers, business leaders and stock exchange officials—is to improve the depth and workings of domestic capital markets. Foreign buying of Finnish equities has been a striking feature of the market over the past few years, helping to lift prices by over 34 per cent in the first five months of 1986 alone. Market turnover is likely to top FM 17bn ($3.2bn) this year, according to Mr Matti Maenpaa, president of the Helsinki Stock Exchange, having been no more than FM 700m in 1980.



Yet fundamental problems remain. Most serious of these is the widely differing tax treatment of the alternative savings instruments available to Finnish private investors. Income from bank deposits, almost uniquely among industrial countries, remains entirely tax free, as does income from coupons payments on government bonds. Added to this bias against equities are stamp duty and the tax deduction allowed to companies for interest payments on debt. The only concession to private investors is tax relief of FM 3,800 ($730) a head on dividend income.

A wide consensus exists among business leaders, bankers civil servants and political parties that the anomalous treatment of bank deposits ought to be phased out. Growing worldwide ambitions have made many big Finnish companies anxious to cut their debt to equity ratios from a typical three-to-one to something more in line with their US or British rivals. In addition they want a properly functioning domestic market in their shares.

The banks, which are also increasingly active outside Finland, want to broaden the services they offer. They are also gaining experience at home in new instruments as a result of the rapid growth in recent years, of unregulated—and still unstructured — domestic markets in corporate paper, large short-term deposits and interbank lending.

At the Bank of Finland, Mr Korkmann argues that both capital formation and savings ought to be tax neutral before the local markets can acquire the depth and sophistication needed by an increasingly complex industrial economy.

The next opportunity for reform will come at the end of 1987, when the present, and theoretically temporary, legislation expires. This grants the tax concession on bank deposit interest and legitimises the banks' interest rate cartel.

The politicians, while broadly accepting the analysis of the problem, may be less enthusiastic about adopting too radical a solution. Few expect outright abolition at a stroke, of a system that, in the words of one senior bank executive, "means that for the public, the safer your money is, the higher the yield you can expect in Finland."

More likely is either a raising of the tax-free ceiling on dividend income or else an indexation formula imposing a rising rate of withholding tax on interest income if interest rates rise above a specified level.

Though correction of these hindrances is likely to take time, bankers detect increasing interest in shares on the part of younger customers. Households are reported to be flush with cash, while demand for mortgages is reckoned to be largely satisfied. The recent years of steep increases in share prices have coaxed newcomers into the market to the point that a recent survey showed over 700,000 Finns out of a population of only 4.9m owning securities—a figure that Mr Maenpaa of the stock exchange thinks includes a good deal of overlap.

Foreign investors, meanwhile, can look forward, possibly within the next six months, to an increase to 40 per cent, from 20 per cent, of the proportion of a Finnish company's shares that may be issued in "free" form and hence be bought by foreigners. Many big companies, including Wartsila and Nokia, have practically reached the 20 per cent level despite recent capital increases and a shortage of paper for foreign investors to buy may have been one factor magnifying recent price movements.

Two British banks take part in China FRN

AT LEAST two British banks participated in a $200m floating-rate note issue for Bank of China which was finally launched yesterday. This was despite the Bank of England's strong discouragement of London-based banks' involvement in such a financing, while Chinese debts, dating back to the imperialist era, remain unsettled, Clare Pearson writes.

The two British banks were Barclays and Standard Chartered, which has long been active in Hong Kong. The banks complied with the letter if not the spirit of the Bank of England's views by co-managing the issue through overseas subsidiaries, Barclays Asian Finance and Standard Chartered AG (Zurich).

The Bank of England had earlier specifically asked British banks not to participate out of London. Unlike the sterling debt market, the Bank has no power to control their activities in the unregulated dollar Eurobond market, however.

The deal was led by Deutsche Bank in Frankfurt, and Merrill Lynch, the securities house, participated as co-lead through its Hong Kong unit. The other co-lead was Banque Nationale de Paris.

The full management group should be announced tomorrow. Royal Bank of Canada will be a member but Orion Royal Bank, an active market-maker in floating-rate debt, will not.

Dealers agreed that the bond which pays ⅛ per cent over London interbank offered rate during its 10-year life, was generously priced. It traded well within its 30 basis point fees yesterday.

Dealers did not feel that the non-London-based character of the management group would jeopardise its performance, as it is unlikely to be actively traded. Investors will probably hold on to their bonds, looking for price appreciations

Metal Box launches $50m Eurobonds

BY CLARE PEARSON

METAL BOX, the UK packaging and diversified engineering equipment company, yesterday launched $50m of debt into the Euromarkets with an equity-related deal led by Baring Brothers.

The seven-year bonds have a coupon of 5¼ per cent and price of par. Each $1,000 bond carries 83 warrants which may be exercised during the next five years into 4.15m shares of the company. The exercise price of the warrants was set at 271p, exactly in line with the share price yesterday.

Baring Brothers reported good demand for the issue, which traded comfortably within its 3¼ per cent fees. Metal Box will use the proceeds to replace existing short-term dollar borrowings.

Also in the equity-linked area, Daiwa Europe carried out a $30m deal for Naigai, the Japanese clothing company. The five-year bond will be priced on June 6, but Daiwa indicated the coupon at 3 per cent and exercise premium at 2½ per cent. The price on the bond is par, and it carries warrants exercisable till July 1991 into Naigai's equity. The bond met strong demand and traded at levels slightly below issue price.

Away from the specialised equity-linked sector, the dollar Eurobond market suffered a "loss of faith," as one syndicate manager put it, as New York bonds underwent a nervous sell-off. Wednesday night's new dollar fixed rate bonds therefore languished at discounts to issue price outside the level of their fees.

General Motor Acceptance Corporation's $200m 8 per cent eight-year deal was quoted on the bid side at a discount of 3 per cent, and Aetna Life's 20-year bond at a discount of 4 per cent, to issue price.

This did not deter Kansallis Banking Group from launching a new bond for its Nordic banking parent, Kansallis-Osake-Pankki. The $125m five-year 8 per cent bond was priced at 100½ to give a yield net of fees of 72 basis points over comparable US Treasury bonds. It was quoted in the afternoon at 98½ bid, outside its 1⅞ per cent commissions.

The D-Mark market also lost Wednesday's impetus and dealers said there was negligible turnover. Demand is reasonably strong for good quality, liquid paper, dealers report, though lacking for lesser issues at the moment. A DM 100m five-year bond for McDermott, the US oil drilling company, therefore traded poorly yesterday. A new deal for Sparkassen Bikuben, the Danish bank, on the other hand, traded well within its fees at a bid price of 99.

Westdeutsche Landesbank issued a DM 250m five-year bond for ENEL, the Italian electric utility. The coupon was set at 5¾ per cent and price at par. The deal was quoted at 98¾.

The Swiss franc market traded quietly. Credit Suisse launched a SFr 130m bond for Tauernkraftwerke, the Austrian electric utility. The coupon was indicated at 5¼ per cent, and final pricing will take place later this month.

● The amount of a new financing for Hong Kong's government-owned Mass Transit Railway, launched on Wednesday, has been increased to HK$ 750m from HK$ 600m. The issue consisted of conventional fixed rate floating rate notes and inverse, "bull" floating rate notes.

● Credit Suisse First Boston issued a "high coupon" floating rate certificate of deposit (FRCD) for Mitsubishi Bank. The five-year FRCD pays interest at the lower of three-month London interbank offered rate plus 75 basis points or 20.75 per cent minus three-month Libor. It is designed to appeal to investors expecting rates to fall. The FRCD was priced at par.

Allied-Lyons adds sterling option

ALLIED-LYONS, the UK food and brewery concern, has added a sterling commercial paper option to the loan facility it has established in the Euromarkets to finance part of its pending purchase of Hiram Walker's spirits division, writes Peter Montagnon, Euromarkets Correspondent.

The facility has also been increased by $100m to $500m, making it the largest facility to incorporate a sterling commercial paper option since the market stated in April.

Allied said it planned to start issuing commercial paper "in the near future." The object of the new option was to give it more flexibility and, although sterling paper issues are likely to remain a small percentage of the total facility they would still be large enough to bring a new benchmark to the commercial paper market.

The deal, which was arranged by Baring Brothers and Shearson Lehman Brothers International, was still heavily oversubscribed even at the higher amount.

It is a one-year facility that can be extended for a further two at the borrowers' option. The annual facility fee has been set at 1/16 per cent and the maximum margin on borrowings is 15 basis points over the London interbank offered rate for Eurocurrency deposits.

The facility can also be used to raise cash in the form of Euronotes and short-term bank advances.

Hachette in FFr 1bn rights

SHAREHOLDERS of Hachette, a leading French publishing and media group, have approved plans to raise the company's capital by about FFr 1bn ($140m) through a one-for-five rights issue in Bonds, AP-DJ reports.

The move appears designed to boost Hachette's takeover muscle at a time when a large number of French groups are jostling for advantage in the race to acquire part of the state's share of the TF1 television network.

Mr Jean-Luc Lagardere, Hachette's president, said the bond issue would have a maturity of about seven years. The bonds will be redeemable in the form of investment certificates, which are similar in nature to non-voting shares. Coupon is 7 per cent and the issue price is to be FFr 3,000 each.

Hachette officials indicated that with the proceeds of the issue the group would have a total of about FFr 2bn readily available to invest in TF1

Japanese access to financial futures abroad

By Yoko Shibata in Tokyo

THE JAPANESE Ministry of Finance plans to allow Japanese residents to participate in financial futures trading overseas by amending a part of the Foreign Exchange law.

As a first step, Japanese securities houses and banks will be permitted to trade in overseas financial futures markets. The relaxation stems from the ministry's belief that banks and securities houses have built up a considerable expertise in financial futures through participation in bond futures trading which started last October on the Tokyo Stock exchange and dealing in overseas futures through their branches and subsidiaries abroad for some time.

However, the ministry intends to limit the scope of futures transactions to currencies, deposit rates and bonds, excluding stock index futures.

The opening of the market to other companies and investors at large is unlikely to be permitted until after the 1987 fiscal year.

Hongkong Tin in hotel venture with Accor

HONGKONG TIN Corporation (Malaysia) is to form a joint-venture company with Accor Group of France to operate and manage hotels and tourist resorts in Malaysia. Accor owns and manages about 530 hotels worldwide.

The new company, Trans Pacific Resorts, has been awarded a management and operation contract for a resort hotel in Pangkor Laut.

US QUARTERLIES

AMERICAN GREETINGS
Greetings Cards

First quarter	1986-87 $	1985-86 $
Revenue	243.8m	223.8m
Net profits	17.06m	16.32m
Net per share	0.53	0.51

A. G. EDWARDS
Broking and Banking

First quarter	1986-87 $	1985-86 $
Revenue	128.8m	93.3m
Net profits	12.89m	8.37m
Net per share	0.62	0.41

GENCORP
Tyres

Second quarter	1985-86 $	1984-85 $
Revenue	756m	763m
Net profits	37m	35m
Net per share	1.68	1.58
Six months		
Revenue	1.37bn	1.39bn
Net profits	56m	36m
Net per share	2.52	1.62

JIM WALTER
Building and Building Materials

Third quarter	1985-86 $	1984-85 $
Revenue	628.9m	579.8m
Net profits	36.5m	31.2m
Net per share	1.28	1.15
Nine months		
Revenue	1.71bn	1.56bn
Net profits	88.5m	73.3m
Net per share	3.04	2.69

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on June 19

US DOLLAR STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES

	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS

	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

[illegible]

BT up 22% but growth slower

BY JASON CRISP

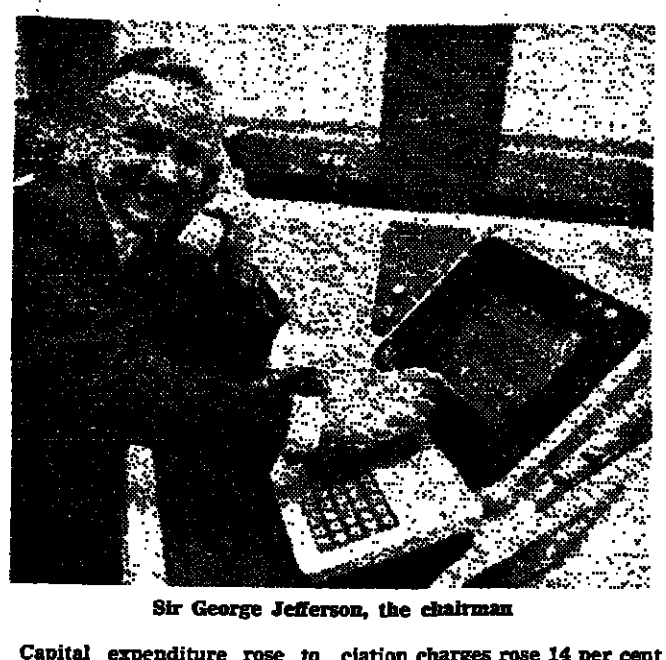
British Telecom's pre-tax profits for its first full year as a private company rose 22 per cent to £1.81bn on a turnover of £8.9bn up 10 per cent. The results were in line with City forecasts and the shares rose 2p to 234p.

BT's growth has slowed slightly since last year mainly because telephone traffic has not been quite so buoyant. Overall telephone call income rose 10 per cent to £4.54bn. Inland calls rose 7 per cent compared with 8 per cent last year and international rose 11 per cent compared with 14 per cent.

However the steady decline in telephone traffic which occurred in the first three-quarters of the financial year was reversed in the final quarter. Growth which had slipped to 6 per cent rose to 7 per cent in the last three months of the financial year which ended March 31 1986.

BT said yesterday that it thought growth would be maintained this year although it seems unlikely to return quite to the levels at the time of the flotation in November 1984. The number of exchange lines continued to grow with 3.2 per cent more in residential homes and 5.3 per cent more for business.

Income from the sale and rental of telephone equipment fell by about 5 per cent to a little less than £1bn and profit margins are thought to be slim. The main reasons are growing competition particularly for the business market, falling prices and the fact that BT was very successful in recent years in replacing equipment like private exchanges.



Sir George Jefferson, the chairman

Capital expenditure rose to £1.97bn, only fractionally short of the target of £2bn. Sir George Jefferson, chairman, said that past problems of deliveries from manufacturers appeared to have been largely solved. Some £422m was spent on digital exchanges. There are now 16 local System X exchanges in use and 100 are undergoing acceptance trials. BT expects capital expenditure will rise to £2.2bn this year.

Operating costs of £6.29bn rose by 9 per cent and staff costs were up by 6 per, although there was a net loss of 5,000 jobs during the year. Depreciation charges rose 14 per cent to £1.07bn because of the increasing rate of modernisation of the network.

BT made a notional currency loss of £31m on dollar denominated investments in satellite consortia such as Intelsat, compared with a £29m gain in the previous year. As these are, in effect, investments in satellites, BT is likely to change its accounting treatment this year so that the notional change in value because of currency changes will not be included.

The company has allocated £18m for the employee profit sharing scheme announced last year. About 220,000 employees are eligible and 90 per cent are expected to take up the offer.

Acquisitions during the year totalled £177m, of which by far the largest was the 51 per cent stake in Mitel, the troubled Canadian PABX maker, for which it paid £160m. Sir George said: "Mitel is taking firm measures to establish a sound basis for the future. I expect to see a real improvement in its trading position in the current year."

However he added it was unlikely to return to profit in the current financial year.

The proposed final dividend is 4.5p, bringing the total for the year to 7.5p, an increase of 15 per cent on the national dividend in the previous year.

The tax charge was £743m, compared with £535m the previous year.

After paying dividends and higher tax the cashflow was neutral, compared to last year when it had an exceptional net inflow of £704m. The company expects cash flow to remain neutral this year.

BT commented that liquidity remained strong and gearing was reduced to 39 per cent at the year end from 42 per cent at the beginning.

Sir George indicated that he expected BT would show a similar improvement in performance in the present year as it had last year. "Growth in the volume of BT's business has started the year well. Despite increasing competition I am confident that on the basis of expected trends, we shall have another year of continuing progress."

See Lex

LIG points to role of fine china in 28% rise

London International Group, the consumer products and services concern which earlier this month had its £149m bid for Wedgwood referred to the Monopolies Commission, yesterday announced profits of £24.06m for the year to March 31, 1986—and highlighted the role played by its fine china business behind the 28 per cent rise.

Mr Alan Woltz, the chairman and chief executive, said that Royal Worcester Spode, the china and procelain subsidiary, did outstandingly well, and the group's management approach assisted it to achieve good increases in sales and margins, resulting in almost trebled profits.

The home products and services group, which takes in china as well as photoprocessing and home improvements, increased operating profits from £8.56m to £11.49m. The figures include a full year from Worcester compared with a six month contribution.

Mr Woltz said that Colour-Care delivered excellent results, despite the unfavourable weather conditions in the season, and made further gains in its share of market in the UK and Europe. The recent acquisition of Maxicolor, a French photoprocessor, represented a major step would increase profits and share of the European photoprocessing market.

In the home improvements business, Duraplug showed strong internal growth and gained useful new business through tactical acquisitions.

The operating profits of the health and personal products divisions rose from £12.8m to £14.4m. Within this, the results of LRC North America were particularly encouraging with an "exceptional performance" by Schmid US based on further gains in market share of its traditional contraceptive products and the successful integration of the recently acquired Koromex female contraceptive business.

"The US condom market grew during the past year, apparently in response to the public's growing concern about sexually transmitted diseases. This market growth is accelerating in the first half of 1986-87," said Mr Woltz.

In Europe, condom sales and profits grew as a result of increased marketing investment, while in Pakistan, sales value of over the counter medicines grew substantially and the company won a government contract for the marketing of contraceptives.

Significant improvements were made in manufacturing efficiency, especially of household latex gloves.

Earnings per share moved ahead from 9.75p to 12.12p, and the company is to lift the dividend for the year by 0.7p to 4.6p with a final of 3.1p.

Turnover rose from £195.96m to £225.22m, producing gross profit of £94.61m (£82.33m). Operating profits came out at £25.9m (£21.4m). After a tax charge of £8.85m (£7.92m) net profits were £15.21m against £10.89m, of which the company retains £8.05m (£4.69m).

● comment

London International, still smarting from the reference of its Wedgwood bid to the Monopolies Commission, has produced a solid set of results. A maiden full year from Royal Worcester Spode contributed £3.7m (against £1.3m last time for a six month period) and the lower tax rate produced £1m more at the attributable line. While there continues to be jockeying in the fine china market, especially in the US where discounting appears rife, the progress at RWS is undeniable with a tougher policy on trade debtors producing a better cash flow. The marketing of the clinical version of the Boots-Celltech product towards the end of the year should, in early 1987, produce indications on the medical profession's attitude to the pregnancy testing product. LIG's main gains from this are still two year's off, however, when the over-the-counter package is planned to be on the chemists' shelves. More photoprocessing is not Jangling any nerves now that the price war is a thing of the past and the minilab tie-up with Boots should help counter competition of this kind. This year £27½m is forecast which puts the shares at 210p on a prospective multiple of 15, which seems likely to hold until the Commission decides on Wedgewood.

Cut in working capital boosts Johnson Matthey

WITH A substantial cut in the interest charge, Johnson Matthey, holding company with interests in metal refining, chemical and electronic component manufacturers, saw pre-tax profits for the year to March 31 1986 improve by 50 per cent from £20.1m to £30.1m.

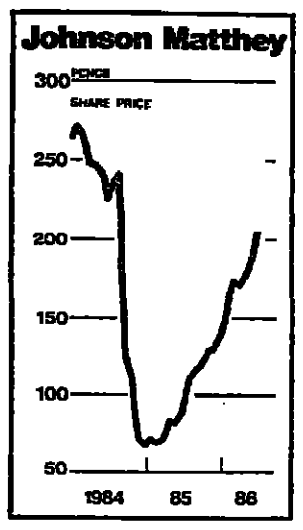
Earnings came out at 14.7p (8.6p) basic or 12.1p (6.8p) fully diluted and the directors are proposing a final payment of 2p (nil) making a total for the year of 2.5p (nil).

The result was above City forecasts and the shares rose 17p to close at 205p after touching 211p at one time.

Trading profit was £41m (£42.9m) with a further £5m (£5.4m) from share of associates giving operating profits of £46m (£48.3m). The directors say the fall in operating profit was caused by exchange rate movements.

Interest payments fell by £12.3m to £15.9m as a result of lower borrowings of money and metal, lower US interest rates and the greater strength of sterling against the dollar. Debt reduction was a top priority for the period, the directors state.

Money borrowings were cut by £108m and metal by £51m. Operating cashflow was £43m and there was a further £25m from disposals, but the directors say that the most important contribution came from lower working capital, particularly for metal.



They add that repayment of $87.5m were made under the company's medium-term financing agreement. Cashflow has continued strongly since the year end, which should allow the company to replace its present financing arrangements in the present year with facilities on more favourable terms and "more appropriate to the group's needs and much improved financial standing."

The company also carried out a rationalisation of under-performing activities, the results of which were only becoming evident in the final quarter, the directors say. For the future, they add, that some further reorganisation is needed.

Following an actuarial review the company cut its UK pension fund contribution, adding £2.8m to the operating profit. However that was more than offset by an additional depreciation charge of £1.9m, arising from a change in the depreciation policy, and a number of other non-recurring items.

The tax charge was £8.5m (£8m), extraordinary items were down from £176.3m to £8.2m and with dividends absorbing £5.4m (£700,000) there was a retained profit for the year of £8m, against a loss last time of £164.9m.

Last year's extraordinary included £152m covering the writing-down of its investment in Johnson Matthey Bankers. Extraordinaries this time were refinancing and rationalisation net costs of £10.2m, write-down of its West Deptford refinery in New Jersey of £10.1m, less the increase in value of metal stocks of £12.1m.

The directors say that valuing fixed metal at prices established in 1980 undervalues the company's assets. Following a revaluation at prices at the year end a net £9.5m has been added to revaluation reserves.

See Lex

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Allied Colloids	1.8	Aug 27	1.6	2.5	2.3
Baker Perkins	4.5	Aug 11	4.15	7.5	6.75
British Telecom	4.5	Sept 29	3.9	7.5	3.9
Brown Shipley	6	Aug 2	5.75	9.5	9.25
Cont'l & Ind Tst	15	July 25	14	22	20
Dawson Intnl	4.3	Aug 27	3.73*	6.2	5.47*
Dundee & London ...int	2.5	July 25	2	—	5.4
Irish Ropes ...int	‖1	—	nil	—	2.1
Johnson Matthey	2	Aug 4	nil	2.5	nil
Kleinwort Charter .int	0.82	—	0.79	—	2.32
Arthur Lee ...int	0.8	Aug 7	0.6	—	2.1
London Int	3.1	Oct 1	2.6	4.6	3.9
Mitchell Somers	†2.1	Aug 30	1.75	3.85	3.25
Scapa Group	†8.1	Aug 22	7.3	12.1	11
Warehouse Group ...int	4.38	—	3.75	¶1	3.75
Wigfalls	2.5	—	nil	2.5	nil

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock.

Irish Ropes pays interim

PRE-TAX profits of £75,000 are reported by Irish Ropes in the six months to March 31 1986. This compares with a loss of £114,000 in the corresponding period last year and profits of £311,000 at the year-end.

The company—its main activities include the manufacture of carpets, industrial plastic products, wire products, cordage and synthetic fibres—says that as a result of the progress made to-date, there is sufficient confidence to justify the directors in resuming, after six years, payment of an interim dividend of 1p. Last year a single payment of 2.1p was made.

Sales were little changed at £12.63m compared with £12.79m. Stated earnings per 25p share were 1.8p (3p loss).

The group was adversely affected by the current exchange rate for sterling. Not only does the present rate reduce gross margins on sterling sales, but it also intensifies import competition on the company's home market. The directors say the prospects for the year as a whole are reasonable.

Grosvenor Group

Grosvenor Group, the troubled electronics and engineering concern, yesterday said that previously announced merger talks with an unnamed private company, have been terminated. The shares fell 9p to close at 120p.

BOARD MEETINGS

TODAY

Interims:— Brunner Investment Trust, Grainger Trust.

Finals:— Bassett Foods, Belhaven Brewery, John Booth (Bolton), Craig and Rose, Equity and General, Hicking Pentecost, Renold, Rowe Evans Investments, Syltone.

FUTURE DATES

Interims:—	
Jersey Electricity	July 10
Kershaw (A.)	July 17
Newman Tonks	June 25
Rank Organisation	July 17
Finals:—	
Anderson Strathclyde	June 25
Brown and Jackson	†June 25
C.H. Industrials	June 26
Scottish & Newcastle Breweries	July 1
Stonehill	June 26
Wintrust	June 24

† Amended.

Scapa matches forecasts with 6.4% rise to £29m

Scapa Group has matched analysts' forecasts with a 6.4 per cent rise to £29.16m in full year taxable profits, although the company stresses that adverse exchange rate movements restricted the advance with profits in local currency terms increasing by 15 per cent.

The result, which compares with 1984-85's £27.4m, benefited from a near £1m reduction to £3.18m in interest charges, but a recent rights issue and the acquisition of United Wire depressed earnings per share from 43.1p to 40.9p—attributable profits were £15.89m (£14.37m).

The company manufactures engineered fabrics and rolls for the paper making industry, felts and other specialised industrial textiles.

The dividend total is being raised by 1.1p to 12.1p through a higher final payment of 8.1p (7.3p). A one-for-one scrip issue is also proposed.

UK profits advanced from just under £5m to £6.5m and other countries contributed a higher £5.37m compared with £4.21m. Total turnover was £186.93m (£168.25m).

● comment

Whatever had happened to Wardle Storey's bid for RFD, Scapa only stood to gain. After the Wardle victory, Scapa may now exercise its option to acquire the technical textile and wire divisions which initially attracted it to RFD and which should boost its profits by £2m in a full financial year. The acquisitions should buy its UK interests which were inhibited by under-capacity and the strength of sterling in export markets last year. The United Wire acquisitions — together with the rights issue—may have taken its toll on earnings per share, but it contributed £2m or so to these results and, despite oil exposure, should provide £3m in 1986-87. Yet Scapa is still firmly orientated towards the US where its companies have continued to compete aggressively on price and to win market share at the expense of the majors. Although cynics in the City doubt that the majors will be content to watch Scapa eat away at their markets for much longer. Borrowings are at a manageable level and the company is intent on continuing both capital expenditure—of between £15m and £16m this year—and acquisitions to augment existing areas of activity. Analysts anticipate profits of £33m for 1986-87, producing a prospective p/e of 9.5. The shares, which fell by 2p to 468p yesterday, have surged ahead since the interim stage, but offer some scope for further growth in the short term.

Wardle wins £28m battle for RFD

By Martin Dickson

Wardle Storeys, the plastic sheeting manufacturer, yesterday won its £28m takeover bid for RFD Group, the diversified industrial company, after RFD's hopes were dashed of a higher 11th hour bid from BBA, the morto components and industrial textiles group.

RFD yesterday accused BBA of "failing to honour what RFD regarded as a clear commitment by BA to make an offer." z

RFD announced earlier this week that it was involved in tauks with a third party, which it named yesterday as BBA, advised by Lazard Brothers.

It said BBA had asked the board, as a pre-requisite to any offer, to obtain irrevocable undertakings of acceptance and RFD had duly obtained these covering 36 per cent of its shares, a level which it had been led to believe would produce an offer.

In the wake of this withdrawal, Wardle Storeys offer—recommended by RFD's non-executive directors—won acceptances covering 75.17 per cent of the ordinary shares

Dewey/Heath

C. E. Heath, one of Britain's largest independent insurance brokers, is in talks with Dewey Warren Holdings, the small insurance broker quoted on the unlisted securities market.

Heath, which held abortive merger talks with Hogg Robinson Group last year, and Dewey Warren said yesterday that the talks would take into account the interests of the management and staff of Dewey Warren

Currencies hit Minet

FIRST QUARTER profits of Lloyd's and general insurance brokers Minet Holdings have been held at £4.44m, against £4.39m, from a turnover up £2.32m at £20.86m.

Exchange rate movements had a material impact on profits, the directors report. The underlying growth in broking income continues at the rate of 30 per cent.

They stress that results for a single quarter should not be taken as a guide to a full year. For the year 1985 the group made a profit of £33m (£25.76m) before exceptional charge of £3.1m (£2.45m) and tax. Turnover rose to £86.25m (£76.49m).

UK COMPANY NEWS

Evered increases share offer for McKechnie

BY DAVID GOODHART

Evered Holdings yesterday increased its share offer for **McKechnie Brothers** by just under 15 per cent and provided a cash alternative for the first time.

The improved and final offer had become widely expected, especially in the light of the slippage in Evered's share price which has come down from the over 330p at the beginning of the month to close 12p down at 280p last night.

However, the combination of the increased offer and the narrow victory of F. H. Tomkins' bid for Pegler-Hattersley earlier in the week has clearly strengthened Evered's hand.

The Tomkins-Pegler bid, in which a fast-growing mini-conglomerate prevailed over a long-established but sluggishly performing engineering company, has been seen as closely mirroring the Evered-McKechnie battle.

Mr Raschid Abdullah, the Evered chairman, said that the Tomkins result "must be regarded as favourable to us." But Dr Jim Butler, the McKechnie chairman, stressed the differencs with Pegler.

"It is true that the non-ferrous metals side of our business has a similar record to Pegler — with both of us doubling profits since the early 1980s. However, what distinguishes us is our rapid move into plastics rand consumer goods which this year already account for 49 per cent of forecast earnings," said Dr Butler.

Evered's original four-for-five share offer—which had already been marginally supplemented by a preference share offer—has now become a 39 (Evered) for 40 (McKechnie) offer. Last night that valued each McKechnie share at 273p and the whole company at £163.8m. The cash alternative is 260.3p. The bid closes on July 7.

Evered, which currently has about 40m shares in issue, will have to issue another 59m if it wins, which Mr Abdullah admitted would cause "a little dilution." McKechnie shareholders can accpet Evered convertible preference shares for up to half of their holding which would make the offer slightly higher.

Mr Abdullah repeated that he would be looking to pull out of South Africa, which now accounts for only about 7 per cent of McKechnie's earnings. He also stressed the target margins of at least 10 per cent in all McKechnie businesses.

Dr Butler in continuing to reject the bid said: "Evered has completely failed to demonstrate any ability to manage McKechnie better than the existing management." McKechnie closed 3p up at 265p.

Freemans in agreed bid for Warehouse

By David Churchill, Consumer Affairs Correspondent

Freemans, the mail order company, yesterday made an agreed bid of £11.9m for the **Warehouse Group** fashion retail chain.

The companies are already linked by the Bymail fashion catalogue which exclusively sells Warehouse clothes by post.

Mr Ralph Aldred, Freemans managing director, said yesterday the takeover made sense. "We are very enthusiastic about developing the mail order business of Warehouse and we found that our two operations have worked together very well."

Freemans has about 14 per cent of the UK mail order market and is particularly strong in younger women's fashion.

Warehouse has a chain of 23 shops in the UK and sells fashions designed by Jeff Banks and an in-house design team.

The company's results for the year to March 31, 1986, announced yesterday, show an increase in pre-tax profits to £682,000, compared with £50,000 in the previous year. Turnover was £9.4m, compared with £7m.

Freemans is offering four of *its own shares for every one* Warehouse share, with a cash alternative of £15.

Freemans already has acceptances from shareholders in respect of 61.4 per cent of the Warehouse issued share capital.

Woolworth has hired Airship Industries' craft for the next two weeks to publicise its defence against the unwelcome bid from Dixons. The campaign got under way this week with a flight over the City of London and the West End. Other venues include both Ascot and Wimbledon

BP pulls out of mineral wool joint venture

BP is pulling out of the mineral wool joint venture in Bridgend, *South Wales, which it set up* in 1978 with Rockwool International of Denmark.

Its 50 pe cent stake in Rockwool UK is being sold to the Danish company for an undisclosed sum.

According to BP the sale reflects a decision by the business involved, BP Ventures, to concentrate on its other main activities. The Bridgend company is the second largest supplier of mineral wool for thermal, acoustic and fire insulation in the UK.

Standard Chartered will not produce forecast

Standard Chartered Group is to publish tomorrow its second and final defence document against the £1.2bn hostile takeover bid from **Lloyds Bank**. It will not contain a 1986-87 profits forecast, Mr Michael McWilliam, group managing director, confirmed last night.

Mr McWilliam is also expecting the Office of Fair Trading to announce today whether or not it is recommending referral to the Monopolies and Mergers Commission.

Standard Chartered believes a referral is now unlikely inspite of an OFT examination of the UK banking market.

Mr McWilliam has also moved to quell speculation about the friendly purchase of blocks of the group's shares by Far Eastern clients of Standard Chartered acting as white knights.

Most recent rumours have centred on alleged offers of support for the banking group from two Malaysian financiers, the Australian-based Mr Lee Ming Tee, and the Singapore-based Mr Tan Sri Khoo Tech Puat.

Kleinwort purchase

Merchant banker **Kleinwort Benson** is to take 100 per cent control of Kleinwort Benson Australia, the banking, corporate finance and securities house which it set up four years ago, from July 1.

It will acquire for an undisclosed sum the 50 per cent holding currently held by Colonial Mutual Life, the Melbourne life company. Kleinwort Benson Australia has an estimated asset value of A$19.5m (£9m).

Reuters postpones US sale

BY CHARLES BATCHELOR

THE POSSIBILITY of legal action by a former employee of Reuters, the international business information group, has led to the postponement of the sale of about £55m worth of the company's shares in New York.

Reuters said its lawyers in the US were investigating a claim from the former employee and the company hopes the share sale can go ahead next week.

It announced last month that three shareholders, Mr Anthony Rich and his son Mr Jerome Rich, who sold their Chicago-based information systems company, Rich Inc, to Reuters last year, planned to sell 365,000 American Depositary Shares (each representing six Reuters "B" shares).

In addition, the Australian Associated Press planned to sell 1.67m ADSs.

Pru rights result

The results of the record rights issue of the **Prudential Corporation**, which sought to raise £357m from shareholders, were announced yesterday and revealed that acceptances had been received in respect of 95 per cent of the shares issued.

The balance of the shares has been placed through the market with institutional clients at 633p, compared with yesterday's closing price of 834p up 20p.

In May the Pru offered one new share for every five existing shares held by shareholders to raise £357m. Because the issue price of the new shares was at a substantial discount to the market price at the close *of business at the time the offer* was announced, the rights issue was not underwritten.

Dixons plan is 'Operation Ramshackle'—Woolworth

BY CHARLES BATCHELOR

Woolworth Holdings yesterday launched its final detailed attack on the £1.8bn takeover bid made by **Dixons**, dismissing Operation Ramrod, Dixon's retail plan for the Woolworth stores, as Operation Ramshackle.

Sir Kenneth Durham, Woolworth chairman, said the company's management had greatly exceeded the profit targets set when they were brought in 3½ years ago and had succeeded in unlocking the huge potential of the group.

He described as "irrational" Dixon's plan to remove the people "who had brought order out of chaos." He critiicsed Dixon's plan to relocate sweets in the Woolworth stores and to introduce electrical equipment.

Mr Geoff Mulcahy, Woolworth chief executive, urged shareholders not to allow the value of their investment "to be used as a testing ground for Dixon's implausible and risky proposals."

The Dixons' plan would destroy the benefits of Fofus, the new retailing formula which Woolworth is introducing, and depended on fanciful expectations of the share of the electrical market that Dixons could achieve.

"Ramrod, which would compress more merchandise into just 70 per cent of Woolworth space, giving over prime frontage to create more Dixons and Currys stores, would result in a cluttered and cramped shopping environment." Mr Mulcahy said.

UK COMPANY NEWS

De La Rue to raise £65m for expansion with 1-for-5 rights

BY ALICE RAWSTHORN

De La Rue, the bank note and security printing group, unveiled a one-for-five rights issue yesterday to raise £64.9m in order to finance its acquisition and rationalisation programmes, and to fund future capital expenditure.

Since the beginning of the year, De La Rue has embarked upon an active acquisition programme. In March, it acquired its sole competitor in the UK bank note printing field, Bradbury Wilkinson, for £39m. In April, it absorbed the pre-press automation company, the Muirhead Data Corporation.

These acquisitions have already cost De La Rue £40m in cash and have increased its borrowings substantially. In early March, the company's gearing hovered at just two per cent, after these acquisitions it increased to 32 per cent.

De La Rue has also agreed to acquire two US pre-printing automation companies, Hastech and Composition Systems, together with a telemetry specialist in the UK, Remsdaq. Once these acquisitions are completed gearing will rise to around 45 per cent.

"We are also engaged in negotiations with or have in prospect the acquisition of several other companies," said Mr John White, De La Rue's finance director. "It seemed logical to reduce our borrowings now in order to be in a position to take advantage of these opportunities."

Future acquisitions will concentrate on the company's twin core areas of activity: security printing and pre-press automation. De La Rue is also eager to expand its recently created ID and Card Systems division.

The proceeds of the rights issue will also be used to implement a £6m rationalisation programme at Bradbury Wilkinson and to inject additional working capital into CSI, Hastech and Muirhead.

The rights issue will release 7.6m new ordinary shares at 880p a share. De La Rue's shares fell by 50p to 1025p yesterday on the announcement of the issue. The merchant bank and underwriters of the issue is J. Henry Shroder Wagg, the brokers, Cazenove.

De La Rue has also proposed a capitalisation issue to its shareholders which will release two new ordinary shares for every one share held

Baker Perkins tops £16m with 25% increase

DESPITE an unsatisfactory performance overseas and charging £3.2m reorganisation and relocation costs, the Baker Perkins group lifted its profit by 25 per cent in the year ended March 31, 1986. At the pre-tax level it was up from £13.05m to £16.33m.

Shareholders have seen their funds rise to £76m by the year-end, from £63.5m. They also receive an increase in their dividend—a final of 4.5p lifts the total from 6.75p to 7.5p net.

The group makes machinery mainly for the food processing and packaging, printing and chemical industries. Its sales rose 6 per cent to £261.9m (£247.3m) despite the fact that the sterling value of the 40 per cent of sales to customers in the US was depressed following devaluation of the dollar.

In fact, the sterling value of sales to Canada and the US fell by £15m to £104.2m, but was more than compensated for by an increase of £23m to £69m in sales in Western Europe.

Profits were earned in the US by Werner Lehara and by Baker Perkins Printing Machinery, and in Australia and France by the bakery machinery companies. But in the US the bakery and chemical machinery companies again incurred losses.

Overall, the UK-based companies further lifted their sales and profits.

An improvement in margins from 6.4 to 7.2 per cent helped the operating profit up to £18.88m (£15.77m). Food and packaging accounted for £5.74m (£7.17m), printing £13.7m (£11.28m), chemicals loss £1.34m (£2.37m), other profit £682,000 (loss 313,000).

The UK provided £16.89m (£9.71m), Western Europe £2.39m (£548,000), North America loss £1.27m (profit £5.06m) and elsewhere £868,000 (£451,000).

In the current year the directors are expecting consolidation, with a further satisfactory outcome from trading.

After tax £4m (same) the net profit came to £12.27m (£9m), and there are extraordinary credits of £651,000. Earnings are 7.5p (6.75p) per share.

During the year £21.7m was generated from operations which met the increase required for working capital, tax and dividends.

● comment

Baker Perkins had a rather complicated story to tell but the market had no patience to listen, pushing the shares down 14p to 280p. The North Carolina bakery machinery plant lost £4m and exceptional items weighed in at a hefty £3.2m thanks to rationalisation costs in the UK. All that disguised an exceptionally good yead for the UK business which pushed its trading profits up 74 per cent. Although the UK will not have such a good year this time, exceptional costs will be at least £1m lower and new management at North Carolina should knock £2.5m off the losses. With the launch costs of the G12 printer slowing down the printing division, most progress this year will come from tthe chemicals division with the Sterling Extruder acquisition pushing it into the black. However, there are £1m of interest costs arising from the purchase and a vendor placing of 2m shares which will dilute earnings per share. Profits of £20m on a tax charge of 34 per cent puts the shares on a p/e of 9, cheap given the company's long-term growth potential.

Dundee & London

Net asset value per 25p share of the **Dundee & London Investment Trust** improved from 223.7p to 271.1p in the year to April 30, 1986. Net profits for the half year to end-April advanced from £366,000 to £391,000 after tax of £179,000, against a previous £189,000.

Earnings emerged at 2.29p (2.14p) and the net interim dividend is being lifted by 0.2p to 2.2p. The directors intend to recommend a final of not less than last time's 3.4p.

UK COMPANY NEWS

Wigfalls in profit and resumes dividends

Wigfalls, the Sheffield-based electrical retail and rental chain, has returned to profit and is resuming ordinary dividend payments after a lapse of five years.

The year to March 29 1986 saw group turnover advance from £46.31m to £55m and profits, after a £222,000 reduction in interest charges, reach £355,000 pre-tax. The previous year's losses amounted to £62,000.

Mr Gordon Hazzard, the chairman, says the results were achieved despite substantial capital expenditure on new superstores and other major projects.

He notes that borrowings were reduced by £4.5m at year end and points out that the improvement was in addition to the benefits gained from the rights issue of March 1985.

The results also showed a much-improved position since half year when losses were standing at £539,000, some £50,000 above those of the corresponding period of the previous year.

In view of the improvement, and the continuing benefits arising from the strategy outlined at the time of the rights, shareholders are to receive the promised dividend of 2.5p net per 25p share.

The group is currently undertaking a major refit at the majority of its High Street outlets. This will result in some short-term disruption on early turnover but the directors believe this will be far outweighed by the advantages during the key trading season later in the year.

Earnings for the past year amounted to 0.7p (losses 1.2p) after tax of £133,000 (nil).

North British Steel in profit midway

North British Steel Group (Holdings), steel founder and engineer based in Lothian, Scotland, made pre-tax profits of £23,000 in the six months to April 12 1986. This compares with losses of £430,000 in the corresponding period last year. However, the group returned to profitability in the second half and by the year-end had cut its losses to £63,000.

Sales were down from £7.89m to £7.24m, and there was an operating profit of £293,000 compared with a loss of £72,000. The pre-tax figure was after interest charges down from £148,000 to £131,000 and exceptional debits of £139,000 (£210,000).

The exceptional item was the group's contribution to the Lazard scheme and £64,000 in redundancy payments.

As a result of its financial restruction, no dividend is again payable, and nothing can be paid prior to April 1 1987.

Maxiprint

In its first trading half year, to November 30, 1985, Maxiprint has incurred a loss of £64,000. Turnover came to £50,000 and operating loss to £95,000.

The marketing programme sales were slower than expected but by the end of the second half a pattern of regular sales had been established, and the first overseas distributor appointed.

The company makes a colour photograph enlargement print system. It came to the USM in April 1985.

Kleinwort Charter

Net asset value per 25p ordinary share of Kleinwort Charter Investment Trust improved by 29.4p to 131p in the year to May 31 1986. Net revenue for the six months to end-May totalled £943,000 (£948,000) after tax of £411,000 (£487,000).

Earnings emerged at 1.16p (1.17p) per share and the interim dividend is 0.82p, against 0.7875p.

Arthur Lee little changed at £1.6m in first half

LITTLE change in profit for the half year ended March 31 1986 is reported by Arthur Lee and Sons. But the period finished on a better note than it started and this is reflected in management accounts for April and May.

The directors feel justified in lifting the interim dividend from 0.6p to 0.8p net.

From a turnover down to £37m (£38.8m) the pre-tax profit comes out to £1.6m (£1.54m).

Mr Peter Lee, chairman and managing director, explains the fall in turnover as a result of some hesitancy at the beginning of the year in several of the market areas. Steel and related products accounted for £34m (£35.4m) and plastics £3m (£3.39m).

Operating profit from steel and related products was held at around £1.78m, notwithstanding the effects in the US of adverse currency movements and the imposition of quotas. But in plastics the profit fell from £161,000 to £11,000, stemming from the considerable fall in activity during the early months; actions have been taken, however, which have led to a significant improvement in profitability.

The group benefited from a reduction in interest charges from £412,000 to £195,000, which was the result of control of working capital.

After tax £354,000 (£438,000) the net profit for the period is £1.25m (£1.1m) for earnings of 4.02p per share (3.54p). Last time there was an extraordinary credit of £624,000.

The chairman says Lee Steel Strip suffered from a lower level of throughput and price reductions in the early months, and this led to a substantial fall in profitability.

Lee Bright Bars coped well and showed a distinct improvement in the second quarter.

● comment

Reports of Arthur Lee's remarkable recovery turn out to have been exaggerated. Had it not been for the savings on the interest charge, in part attributable to the disposal of J. A. Hemmings, the pre-tax profit figure would have shifted quite smartly into reverse. Gains were made on the steel products side through increased sales to Europe and internal economies, but these were wiped out by the effect of currency movements and quotas on US sales, which cost £250,000 at the pre-tax level. Meanwhile plastics, intended to be Arthur Lee's great hope for the future, plunged from operating profits of £161,000 to £11,000 as some major customers reduced their orders. The second half will see further benefits from the reduced interest charge, new management trying to turn the plastics business around, and some firmness in steel strip prices, so full-year profits could reach £3.2m. However, the shares look fully valued on a p/e of 9 even after yesterday's 6p slump to 71p.

Hilton Mining raising £1.2m via placing

By Robin Reeves

Hilton Mining, a recently-launched design and manufacturing company for new generation mining equipment, is raising £1.18m net through a 35.3 per cent equity placing at 25p a share on the over-the-counter market run by Harvard Securities.

The flotation qualifies under the Business Expansion Scheme.

Centrepiece of the company's range of products is a new interlocking steel arch support system for tunnels and underground roadways which has been approved for use by British Coal.

An initial order for 1,000 metres of the new support system, to be manufactured at Wrexham, North Wales, using an advanced robotics production line, has already been placed by British Coal for ten of its coalfields.

The UK coal mining industry drives around 1m metres of tunnels a year and spends £135m on supports for them. Hilton Mining is confident of soon capturing 10-12 per cent of the market.

Profit projection for the year ending May 31, 1987, shows a pre-tax profit of over £1.5m.

Continental & Ind.

Net asset value per 25p share at the Continental & Industrial Trust climbed from 743p to 899.2p in the year to May 31 1986, and stated earnings per share improved from 20.92p to 23.08p. The final dividend is raised by 1p to 15p net for an increased total of 22p compared with 20p.

Exchange rates and costs hold back Brown Shipley

ALTHOUGH THE development of the underlying business in banking and insurance has continued at Brown Hhipley Holdings, the group net taxed profit for the year ended March 31 1986 has fallen from £3.43m to £3.11cm.

Exceptional and significant costs hit the banking side, and restricted its profit growth to £2.7m, against £2.35m. Costs were involved in the disposal *of the debt factoring business* and in requirement of a further and full provision following the winding up of a consortium bank in which Brown Shipley has for many years held a 20 per cent stake.

The insurance side made a net profit of £864,000 (£1.28m), from a turnover of £9.96m (£10.3m). Exchange rates were unfavourable this time.

Profit of the North American tuition refund business was well *maintained in dollar terms*, but fell 16 per cent on translation into sterling, while the effects were particularly severe in South Africa where Glenvaal's 32 per cent increase in profit was matched by the fall in the rand.

In regard to vacated premises, one of the two in Haywards Heath has been re-let but Harlands House (freehold) is still awaiting. The assignment of the group's lease in the Minories has been agreed in principle and the financial benefit will come next year.

For the current year the banking side is expecting considerable growth and the insurance group is also looking to a strong recovery. The combined result, with its implications for the future, "will justify the confidence we now feel," the directors state.

They are raising the year's dividend from 9.25p to 9.5p net, with a final of 6p. Earnings came to 21.4p (24.8p).

Year-end shareholders' funds were £47.86m, compared with £46.76m, with the value per share at £3.27 (£3.23).

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	118	Ass. Brit. Ind. Ord.	131	—	7.3	5.6	8.0	7.5
151	121	Ass. Brit. Ind. CULS	131xd	—	10.0	7.6	—	—
125	43	Airsprung Group	120	—	6.4	5.3	20.0	26.1
46	28	Armitage and Rhodes	30	+1	4.3	14.3	3.7	4.5
179	106	Bardon Hill	178	—	4.6	2.6	20.2	18.5
77	42	Bray Technologies	77	—	4.3	5.6	9.1	8.3
201	80	CCL Ordinary	80	—	2.9	3.6	5.7	8.9
152	86	CCL 11pc Conv. Pf.	86xd	—	15.7	18.3	—	—
173	80	Carborundum Ord.	173	+3	9.1	5.3	8.4	8.6
94	83	Carborundum 7.5pc Pf.	89xd	—	10.7	12.2	—	—
66	46	Deborah Services	56	—	7.0	12.5	5.8	7.7
32	20	Frederick Parker Group	22½	−0¼	—	—	—	—
112	50	George Blair	110	—	—	—	4.5	8.1
68	20	Ind. Precision Castings	61	+1	3.0	4.9	16.1	13.5
218	156	Isis Group	158	—	15.0	9.5	12.2	18.2
122	101	Jackson Group	118xd	—	6.1	5.2	8.0	7.2
347	228	James Burrough	347xd	—	17.0	4.9	9.7	8.9
100	85	James Burrough 9pcPf.	100	—	12.9	12.9	—	—
95	56	John Howard and Co.	67xd	—	5.0	8.8	—	—
1420	570	Minihouse Holding NV	1370	—	8.7	0.6	45.3	53.7
380	280	Record Ridgway Ord.	380	—	—	—	6.8	11.7
100	89	Record Ridgway 10pcPf	89xd	—	14.1	15.8	—	—
82	32	Robert Jenkins	73	+1	—	—	9.6	20.8
34	28	Scruttons "A"	30	—	—	—	—	7.7
87	66	Torday and Carlisle	79xd	+1	5.7	7.2	4.8	4.8
370	320	Trevian Holdings	330	—	7.9	2.5	6.7	8.8
57	25	Unilock Holdings	56s	—	2.1	3.8	15.2	14.9
175	93	Walter Alexander	170	—	8.6	5.1	9.6	11.7
228	190	W. S. Yeates	190	—	17.4	9.2	19.0	21.1

s = Suspended

Dawson profits advance 20% to record £42m

Dawson International beat most expectations with a 20 per cent increase to record profits of £42.1m for the year to the end of March 1986. The market had been expecting about £40m and the shares were marked up to close at 258p, a gain of 12p on the day.

However, Mr Ronald Miller, chairman of the Scottish textile manufacturer, warns that the expected fall in tourists to the UK will affect profits in the present year. He adds, though, that 60 per cent of output is made overseas or is exported.

Turnover rose by 7 per cent from £265.6m to £285.2m. From earnings per share of 18.5p (15.6p) the directors are proposing a final payment of 4.3p, against an adjusted 3.73p, to give a total of 6.2p (5.47p).

Trading profits came out at £40.01m (£33.95m) with margins improving from 12.8 per cent to 14 per cent. Other operating income added a further £2m (£1.63m) and there was net interest received of £120,000 (£464,000 payable).

The tax charge was £15.9m (£13.32m) and there were extraordinary items this time of £4.34m. These related to the costs of its abortive bid for Coats Patons, less the profit from the sale of the shares. Dawson is taking action against Coats and two of its directors to recover the costs.

Dividends absorbed £8.84m (£7.74m), leaving retained profit for the year down at £13.05m (£14.06m).

Mr Miller says the tyre group was a strong generator of cash during the year. Despite the record level of capital spending at £11.7m, liquid resources improved from £10.9m to £25m at the year end.

Since the end of the year the group has sold its leasing subsidiary for £1.7m. The company paid a dividend of £500,000 during the year.

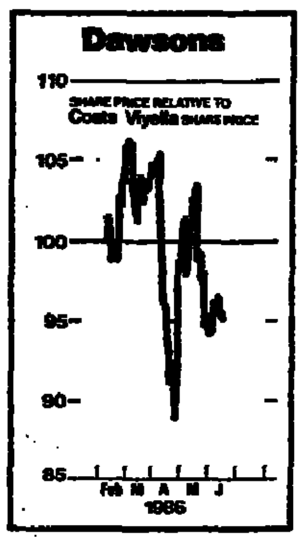
During the past year several of the knitwear companies announced major expansion projects. Pringle of Scotland intend to spend £6m over a five-year period establishing a knitwear factory in Arbroath and a further £6m in Hawick, continuing to invest in modern, high technology knitting machinery.

J. & D. McGeorge is relocating and expanding the capacity of its main knitting plant in Dumfries, including substantial investment in the latest technological plant and machinery at a cost of £5m.

Glenmac Knitwear is spending £1m expanding the capacity of its plants and installing latest machinery.

Aided by investment in a new yarn store, which created space for additional knitting machinery, and a new sewing plant J. E. Morgan Knitting Mills had a strong year. Development of the Morgan brand and new products will ensure that this growth continues in the current year.

See Lex



Allied Colloids profits still flat

Allied Colloids, manufacturer of industrial chemicals, made up ground in the second half of 1985/86, but the pre-tax outcome for the year was still flat. Profits came to just £19.54m against a depressed £19.27m, adversely affected by currency fluctuations to the tune of around £m.

Turnover rose from £102.11m to £119.8m, and the directors say that the company expects a further increase in sales volume this year. It has already been achieved in the first two months. There is some favourable movement in raw material prices because of the fall in oil prices, and the improved efficiencies of the second half will continue.

The overall outcome for the year will depend on foreign exchange movements. Last year this meant offsetting the very substantial adverse effect of the strengthening pound, and the weakening of the currencies in some of the group's major market places, namely North America, Australia and South Africa.

The dividend for the year is raised by 0.2p to 2.5p with a 1.8p final. Earnings per share came to 9.54p (9.4p) after a roughly similar tax charge of £7.54m (£7.48m).

Operating profits came to £20.68m (£19.73m) after distribution costs of £9.03m (£8.62m) and administration costs of £18.18m (£16.45m). Net profits were £12m (£11.8m).

● comment

In 1985, Allied Colloids was sandbagged by second half results which adverse exchange rate movements pushed well below some bullish City forecasts and as a consequence, the share price fell 58p in one day. In contrast 1986s closing half figures were much better than expected and the shares rose 13p to 203p. Once again, currencies dampened the effect of 20 per cent plus volume growth and of margins up from 15 per cent to 18 per cent in the second half. Exchange rates will remain Allied's bete-noire this year since the dollar has weakened considerably from the average rate of $1.31 achieved last year. Even so, the company's record for producing speciality chemicals that industry wants is outstanding and a new absorbent resin for nappies will be at the bottom of a further volume growth this year. Profits of £22m look achieveable, which on a tax charge of 38 per cent puts the shares on a p/e of 18.5. That seems too high for those worried about currency risk.

Acquisitions give Mitchell Somers boost

With a major boost from recent acquisitions John Sydney and Trio Containers, in distribution and waste handling equipment, the Mitchell Somers group has lifted its pre-tax profit from £1.56m to £2.43m for the year ended March 29 1986.

Mr Leslie Thomas, the chairman, says the years 1983 to 1986 have seen a major transformation of the group, with the dependence on heavy engineering reduced. Remaining companies in the forging division are doing well.

He says the cash position is strong with borrowings down to 6 per cent of shareholders' funds as a result of the sale of Mitchell Shackleton and Wolverhampton Die Casting.

Earnings came to 9.9p (6.8p) and a final dividend of 2.1p lifts the net total to 3.85p (3.25p).

THE PROPERTY MARKET

BY WILLIAM COCHRANE

RETAIL TRENDS

New set of problems for the DoE

THIS week's two big retail stories, in Kent and in the West Midlands, will pose problems for the Department of the Environment—in the interpretation of planning policy, on one hand, and in the allocation of funds on the other.

Planning first. In Kent, the proposed Blue Water Park neatly represents the joint venture interests of Blue Circle Industries, Britain's biggest cement manufacturer, and Shearwater, the property arm of the Rosehaugh group.

It also represents a retail and leisure development plan which, in its first phase, could add up to £200m of investment in 1½m sq ft of development including 200,000 sq ft of retail warehousing, a 150,000 sq ft leisure park, 10,000 car parking spaces and two lakes measuring 50 acres between them.

The scheme is in green belt. It follows hard on another, by ARC Properties, on the western arc of the M25 at Wraysbury in Berkshire. Both developments are on "disadvantaged" land, ARC's despoiled by riverside gravel extractions and Blue Circle's by a chalk pit covering 200 acres, next to one of 600 acres which the Blue Water team propose to put to more leisure use if the first phase goes ahead.

Directly across the Thames from Blue Water, at West Thurrock in Essex, Ray Pledger of Pearson Lakeside is looking worriedly at the explosion of M25 retail planning applications.

Pearson, and its development partner Capital and Counties, were looking very good up till a fortnight ago with a regional retail and leisure centre very much of the Blue Water size.

True, their proposed development, on the eastern side of the M25, was competing in its immediate location with Town and City's Dolphin Park proposal, across the motorway on the west. But both schemes had been approved at county and local authority level, and referred to the DoE with Thurrock Borough Council expressing *a strong preference* for Lakeside. Neither is on green belt land.

"What we had up to a fortnight ago," says Mr Pledger, managing director of Pearson Lakeside, "was a local situation. Now I am worried that it might be going regional—that the *DoE might* call in all M25 applications and sit on them for five years while they formulate some sort of policy for the area."

While it mulls over this situation, the DoE will also be considering whether to put government money into a site which is described with refreshing candour by prospective developer Igor Kolodotschko of Color Properties:

"It is going to be mined by the Coal Board, it is derelict and it has chemical pollution," he said in London this week; "in fact it is one of the most polluted sites, with cyanide and so on, in the West Midlands and without help it cannot be reclaimed successfully."

The site in question is the 110 acre, former Patent Shaft Steel Works site at Wednesbury in the West Midlands, featured here last week as a 5m sq ft, £850m retailing/leisure European counterpart to Canada's famed West Edmonton Mall.

This week, *as if to still UK* comments that development on the West Edmonton scale was ill advised, the latter's owners—the Ghermezian brothers' Triple Five Corporation—went out to borrow C$500m on the back of it and said it was considering building another one, at Toronto or at Niagara Falls, New York State.

There is still money in this country which says that someone not far from the Ghermezians has actually been considering building an 8m sq ft megacentre at Baltimore, Maryland. The location, perhaps is less important than the reportedly increased scale of their ambitions.

Mr Kolodotschko, meanwhile, disclosed at a press conference in London this week that his family, of Ukranian extraction, had property investments throughout Europe, particularly in West Germany where it owns around 7m square feet of commercial, industrial and retailing space.

An architect by profession, he said that the project would be completely commercially viable, and not a drain on government funds.

"However," he added, "we will be loking for central government and European grants for the restoration of the derelict site and the creation of the infrastructure." This is where the DoE comes in again.

The problem may be more straightforward than it looks. The Coal Board's involvement will be to open-cast mine the site over two years, clearing away much of the pollution problem and leaving a hole in the ground which Color Properties and its architects, the Percy Thomas Partnership, aim to fill with three levels of car parking, with two levels of retailing on top.

Meanwhile the Department of the Environment, working from a report produced by a sub-group of the Property Advisory Group chaired by Debenham Tewson and Chinnocks partner Richard Caws, deserves credit for its proposed changes in use class legislation.

The creation of a business class of property, merging light industrial and office classes, is more radical than some expected.

In shops the creation of two sub-classes, in catering and financial services, recognises the growth in these areas without threatening the character of traditional shopping.

Increase in prime yields

THERE is a contrariness about Healey & Baker's prime yields chart, which is taken further with this week's latest update.

Yields declined from 1976 to 1979, reflecting rising commercial property values, as the industry and the country drifted into recession.

They have been rising since 1982, but mostly in 1985 and 1986, as the economy has recovered. In the latest calculation, H & B says that the prime yield for shops has increased to 4 per cent and for industrial property to 8 per cent, only offices remaining stable at 5 per cent.

The firm, as usual, emphasises that prime yields represent top properties, best locations, highest investment calibre—so the 5 per cent for offices is talking about the best investments in the City and the West End, reflecting the widely held view that there is insufficient high quality accommodation in both centres.

Elsewhere, says H & B, investors are wary of the office market. The firm itself is still bearish of high tech, seeing relatively few locations where long term performance will be attractive.

The June 1986 investment report, accompanying the yield chart, concludes that the market is likely to remain in a state of flux for the remainder of 1986. However, it sees good purchasing opportunities for funds willing to be fast on their feet.

Nabarro highlights East Anglia lift

THE FIRST annual report from Rupert Nabarro's Investment Property Databank highlights the dramatic variation in performance on a regional basis. East Anglia, where London's M25 orbital motorway, and other road improvements, have led to an upsurge in residential demand, has seen its retail properties doubling in value since 1980 according to the IPD index.

IPD, funded by Chestertons, Clutons, Debenham Tewson & Chinnocks, Drivers Jonas, Savills and Weatherall Green & Smith, confirms and quantifies what investors have suspected for some time.

Net investment has fallen consistently since the beginning of the decade, as has capital expenditure on existing properties; against this backcloth, investment in retail units has continued to expand rapidly. The south east remains by far the most popular location for institutional assets, with over two-thirds of the value of the database properties still tied up in the region.

● Dr Martin Barnes, head of his own specialist project management group within Deloitte Haskins and Sells, has been appointed the new chairman of the Association of Project Managers.

● Hammerson's £5½m freehold purchase in Masons Avenue and Basinghall Street, adjoining its own 200,000 sq ft Woolgate House (European headquarters of the Chase Manhattan Bank) is said to give rise to "a number of interesting, significant possibilities."

● An office development site in Bracknell has sold for nearly £3m an acre. The Commission for the New Towns, advised by Drivers Jonas, has sold the 2.19 acre 71K site at The Ring, Bracknell, to Speyhawk for some £6m.

Speyhawk was advised by Donaldsons and Sinclair Goldsmith. The site is undeveloped land in the town centre and has planning permission for 98,000 sq ft net of office floorspace.

● Peel Holdings has emerged from a shortlist of six to acquire and develop a 170,000 sq ft retail park on a 12.3 acre site owned by British Gas in Great Portwood Street, Stockport.

● Kumagai Gumi, involved as developer with Glengate in the conversion of Bournes in Oxford Street to a specialty centre, says it has bought the freehold in 41, 51 and 55 Bishopsgate as an investment. Hambros Bank occupies 41 and 51 Bishopsgate and the Canadian Imperial Bank of Commerce is in No 55. Kumagai Gumi says its strategy is to establish a portfolio of first-class investments in the UK.

Owner occupier boom

"THE market's almost insatiable: we're selling only to owner occupiers but if we let investors in we could sell £2bn of property this year, I reckon."

So says Chris Collins, executive director of Brookglade whose joint venture with Tarmac in Tarmac Brookglade Properties, lifted its sights this week in an *expanded* 1½m sq ft plan for Heron Quays in London's Docklands.

Heron Quays is the biggest property development currently under way in the Isle of Dogs enterprise zone. It stands close to the planned 10m sq ft development led by American architect G Ware Travelstead on Canary Wharf and if the need to go higher to get bigger may not set well with onlookers who have given Mr Travelstead's office towers a bad time.

Mr Collins will be building further into the water but he will be also going up to between 80 and 100 ft in average building height now, with up to 140 ft on one corner of the site.

However, this is a working and living environment and may be more socially acceptable for its creation of what Mr Collins describes as a Venice-like setting, with a series of courtyards and squares.

The working and living, he points out, are interchangeable; flats may be used for offices, and vice versa, reflecting the lack of planning restrictions in the enterprise zone.

Investment For Sale

For Investment

Shops and Offices

International

Appointments

Company Notices

DeBeers Consolidated Mines Limited

(Incorporated in the Republic of South Africa)
Registration No. 11/00007/06

NOTICE TO HOLDERS OF 40% PREFERENCE SHARE WARRANTS TO BEARER
PAYMENT OF COUPON No. 154

With reference to the notice of declaration of dividend advertised in the Press on 25th May 1986, the following information is published for holders of share warrants to bearer.

The dividend on bearer shares will be paid on or after 5th August, 1986 currency. South African non-resident shareholders' tax at 6.818 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 93.182 cents per share.

The dividend on bearer shares will be paid on or after 14th August, 1986 against surrender of coupon No. 154 detached from share warrants to bearer as under:—

(a) At the offices of the following continental paying agents:

L'Europeene de Banque
21 Rue Laffitte
75428 Paris

Banque Bruxelles Lambert
24 Avenue Marnix
1050 Brussels

Generale de Banque
3 Montagne du Parc
1000 Brussels

Credit Suisse
Paradeplatz 8
8021 Zurich

Union Bank of Switzerland
Bahnhofstrasse 45
8021 Zurich

Swiss Bank Corporation
1 Aeschenvorstadt
4002 Basle

Banque International a Luxembourg S.A.
2 Boulevard Royal
Luxembourg

Payments in respect of coupons lodged at the offices of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London, EC2P 2LX. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:
(i) in respect of coupons lodged on or prior to 29th July 1986, at the United Kingdom currency equivalent of the rand currency value of their dividend on 30th June 1986, or
(ii) in respect of coupons lodged after 29th July 1986, at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the Securities Department of Hill Samuel & Co. Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday, (Saturday excepted), between the hours of 10.00 a.m. and 3.00 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel & Co. Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 71 cents per share arrived at as follows:

	South African Currency Cents Per Share
Amount of dividend declared	100.000
Less: South African non-resident Shareholders' tax at 6.818%	6 818
	93.182
Less: U.K. income tax at 22.182% of the gross amount of the dividend of 100 cents ..	22.182
	71.000

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. Greensmith

London Office:
40 Holborn Viaduct
London EC1P 1AJ

19th June, 1986

NOTE:
The Company has been requested by the Commissioners of Inland Revenue to state:
Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 22.182% instead of the basic rate of 29% represents an allowance of credit at the rate of 6.818%.

De Beers
De Beers Consolidated Mines Limited

BARCLAYS UNIBOND TRUST.

NOTICE IS HEREBY GIVEN that the income distribution (including equalisation where applicable) for the period 8th May 1985 to 6th May 1986 totalled US $9.18 GROSS per share.

COUPON No. 8 at the rate of US $9.18 per share is payable on and after 30th June 1986.

Coupons should be detached from Bearer Share Certificates and presented for payment at the office of any of the Paying Agents named below and left for three days for examination. Coupon listing forms may be obtained from the Paying Agents. COPIES OF THE REPORT for the period ended 6th May 1986 will be available at the offices named below.

The Hongkong and Shanghai Banking Corporation, P.O. Box 59, Bandar Seri Begawan, BRUNEI.

Barclaytrust International Ltd., P.O. Box 82, 39/41 Broad Street, St. Helier, Jersey, CHANNEL ISLANDS.

Barclays Bank (Hong Kong) Nominees Ltd., G.P.O. Box 295, HONG KONG.

Bank Bumi Daya, Jalan Jaanda No. 20, Jakarta, INDONESIA.

Banque Internationale à Luxembourg S.A., Boite Postale 2205, 2 Boulevard Royal, LUXEMBOURG.

Mid-Med Bank Limited, Savings Office, 233 Republic Street, Valletta, MALTA.

Bank of Nauru, P.O. Box 289, NAURU.

Barclays Kol & Co. N.V., Postbus 160, 1000 AD, Amsterdam-C, NETHERLANDS.

Australia & New Zealand Banking Group Limited, P.O. Box 1096, Wellington, NEW ZEALAND.

Papua New Guinea Banking Corporation, P.O. Box 78, Port Moresby, PAPUA NEW GUINEA.

Barclays Bank S.A., P.O. Box 135, CH-1211 Geneva 3, SWITZERLAND.

*Barclays Bank PLC Stock Exchange Services Dept., Second Floor, 54 Lombard Street, London EC3P 3AH, UNITED KINGDOM.

*CAUTION in certain circumstances U.K. Tax may be deducted by this paying agent only.

BARCLAYS

TAISHO MARINE AND FIRE INSURANCE COMPANY LTD.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS TO BEARER (EDRs)

In accordance with Clause 16 of the Deposit Agreement dated 17th September 1976, Hambros Bank Limited hereby gives notice of the convocation of the 69th ORDINARY GENERAL MEETING OF SHAREHOLDERS of Taisho Marine and Fire Insurance Company Limited. The particulars are as follows:

1. Date and time:
10.00 a.m. on 27th June 1986 (Friday).
2. Place:
In the conference room on the first floor of the head office of the Company located at 9 Kandasurugadai, 3-chome, Chiyoda-ku, Tokyo.
3. Purposes of the Meeting:
Matters to be reported—
Business Report, Balance Sheet and Profit and Loss Account for the 69th business year (from 1st April 1985 to 31st March 1986).
Matters to be resolved:
First item.
Approval of Proposal for Profit Appropriation for the 69th business year.
Second item.
Partial Amendment to the Articles of Incorporation.
The description "not more than twenty-three (23) Directors" in Article 14 of the Articles of Incorporation shall be changed to "not more than twenty-five (25) Directors." Provided, however, the resolution with respect to this item shall take effect subject to the approval of the competent Minister of the Japanese Government.
Third item.
Election of twenty-four (24) Directors due to expiration of the terms of office and to increase in number of one Director.
Fourth item.
Election of two (2) Statutory Auditors to fill vacancies.
Fifth item.
Election of Independent Public Accountant.
Sixth item.
Change in remuneration for Directors as a group.
Seventh item.
Presentation of retirement grants to retiring Directors and Statutory Auditors for their services.

HAMBROS BANK LIMITED
41 Bishopsgate,
London EC2P 2AA.
20th June 1986.

BANCA NAZIONALE DELL'AGRICOLTURA S.p.A.

(Incorporated with limited liability in the Republic of Italy)
London Branch
(A licensed deposit-taker)

ECU 100,000,000 FLOATING RATE DEPOSITARY RECEIPTS DUE 1993

NOTICE IS HEREBY GIVEN that the rate of interest has been fixed at 7.4375% for the interest period 19th June, 1986 to 19th December, 1986.

The Interest Amount payable on 19th December, 1986 will be ECU 378.07 in respect of each receipt for ECU 10,000 and will be ECU 189.04 in respect of each receipt ECU 5,000.

CANADIAN IMPERIAL BANK OF COMMERCE
Agent Bank
20th June 1986

Legal Notices

IN THE MATTER OF KNIGHT & HUMPHREYS LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 24th day July, 1986, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Patrick Walter John Hartigan of 1 Wardrobe Place, Carter Lane, London EC4V 5AJ, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 12th day of June, 1986.

PATRICK WALTER JOHN HARTIGAN, Liquidator.

Art Galleries

Clubs

SCHERING AKTIENGESELLSCHAFT BERLIN AND BERGKAMEN

PAYMENT OF DIVIDEND

NOTICE IS HEREBY GIVEN to shareholders that following a resolution passed at the Annual General Meeting of shareholders held on 19th June, 1986 a Dividend for the year ended 31st December, 1985 will be paid, as from 20th June, 1986 at the rate of DM. 12.00 per share of DM. 50 nominal and DM. 6.00 per share of DM. 50 nominal in respect of the shares issued as a result of the Rights Offer 1985 against presentation of Coupon No. 49.

All payments will be subject to a deduction of German Capital Yields Tax at 25%.

In the United Kingdom Coupons should be lodged with:—
S.G. WARBURG & CO. LTD.
Bond Department,
33 King William Street,
London EC4R 9AS
from whom appropriate claim forms can be obtained.

United Kingdom Income Tax will be deducted at the rate of 14% unless claims are accompanied by an affidavit.

German Capital Yields Tax deducted in excess of 15% is recoverable by United Kingdom residents. The Company's United Kingdom Paying Agent will, upon request, provide shareholders or their agents with the appropriate form for such recovery.

20th June, 1986 SCHERING AKTIENGESELLSCHAFT

Crédit Foncier de France

ECU Denominated Floating Rate Notes due 1995 resulting from the exercise of Warrants attached to US$200,000,000 Floating Rate Notes due 1995

CORRECTION NOTICE

Credit Foncier de France ECU Denominated Floating Rate Notes due 1995 resulting from the exercise of warrants attached to US$200,000,000 Floating Rate Notes due 1995

With reference to the notice published on June 13, 1986 the next interest payment date will be December 22, 1986 instead of December 16, 1986.

The Agent Bank
KREDIETBANK
S.A. LUXEMBOURGEOISE

ARAB BANKING CORPORATION (B.S.C.)
$ US 150.000.000 FLOATING RATE NOTES DUE 2000

For the six months, June 6, 1986 to December 7, 1986, the rate of interest has been fixed at 7,25% P.A.

The interest due on December 8, 1986 against coupon nr 3 will be $ US 372.57 and has been computed on the actual number of days elapsed (185) divided by 360

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

CANADIAN NORTH ATLANTIC WESTBOUND FREIGHT CONFERENCE
CANADA-UNITED KINGDOM FREIGHT CONFERENCE

NOTICE TO SHIPPERS AND IMPORTERS
CONFERENCE MEMBERSHIP
SEA-LAND SERVICE INC.

The Member Lines of the above Conferences operating services between the United Kingdom, Northern Ireland and the Republic of Ireland and Canadian Maritime, St. Lawrence River and Great Lakes ports have to advise shippers and importers that with effect from 1st July 1986 Sea-land Service Inc. will cease to be a member of the above conferences.

MEMBER LINES:
Atlantic Container Line Gie
Canada Maritime Ltd.
Cast (1983) Ltd.
Hapag Lloyd
ML Containerline Ltd

CANADIAN ATLANTIC FREIGHT SECRETARIAT LTD.
Secretaries

Stoner House, Kilnmead,
Crawley, West Sussex.
RH10 2BG.
June 1986.

THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED
— I.C.I.C.I. —
US$30,000,000 Floating Rate Note 1981/1991
Unconditionally Guaranteed by The State of India

Bondholders are hereby informed that the rate applicable for the tenth period of interest has been fixed at 7¾%.

The Coupon No. 10 will be payable at the price of US$185.86 on 18th December 1986, representing 183 days of interest, covering the period as from 18th June, 1986 to 17th December, 1986 inclusive.

The Reference Agent
and Principal Paying Agent
Credit Lyonnais Luxembourg

C. ITOH & CO. LIMITED

TO THE HOLDERS OF THE BEARER DEPOSITARY RECEIPTS

NOTICE IS HEREBY GIVEN that the 62nd general meeting of shareholders of C. Itoh & Co. Limited will be held at 10.00 a.m. on 27th June 1986 at the Head Office of the Company located at 68 Kitakyutaro-Machi 4-Chome, Higashi-Ku, Osaka, Japan. Notice of convocation of the meeting is available at the Stock Counter, Hambros Bank Limited, 41 Bishopsgate, London EC2P 2AA and Banque Internationale à Luxembourg S.A., 2 Boulevard Royal, Luxembourg.

Business Operations and Results for the 1985/1986 Fiscal Year (ended 31st March 1986)

The Japanese economy went into its third, but slower, year of recovery. Exports, which had driven that growth so far, faltered as economic growth in export markets cooled. In the second half of the year exports were hit strongly by the sharp appreciation of the Yen.

Electrical, Steel and other industries adjusted production and inventories, and revised downward their capital investment schedules which hitherto were vigorous. Personal spending was firm, but could not play a major role in boosting domestic demand. The Bank of Japan responded to these economic conditions by lowering its Official Discount Rate twice in early 1986.

Japan's trade imbalance invited intensified trade friction, with the U.S.A. especially, and the Japanese Government was moved to promote a market opening action plan and other measures. However, the trades surplus continued to widen as Crude Oil and other commodity prices lowered.

In the U.S.A., Domestic Final Demand continued to expand, with personal spending particularly strong. However, growth cooled as burgeoning imports caused domestic production to reduce. Record high trade deficits with Japan have brought growing support for protectionist measures in the U.S. Congress. The U.S. Government has announced several trade measures, and with the other Group of Five Central Bankers and Finance Ministers it has intervened in foreign exchange markets to rectify the excessively high value of the dollar.

Gradual expansion of European economies continued, with stable price levels supporting domestic demand. However, employment did not improve and economies lacked a powerful catalyst. The economies of many developing countries worsened as a result of slack exports of primary commodities and slow recovery of industrialised economies, which are important export markets. In the second half of the year oil-producing nations with large debt burdens were particularly hurt by sharp drops in crude oil prices.

C. Itoh & Co. Ltd. has continued to improve efficiencies so as to expand earnings and continued to build the resources with which we can meet the changes in the environment of Sogo Shosha. We sought to expand the import sector of our business, notably by winning an order through Japan Communications Satellite Co. Inc., for two large communications satellites of Hughes Communications Inc., and also by independently holding a trade fair introducing imported goods to the Japanese markets. We continued to increase our involvement in new business areas such as advanced technology and information services. We added new bases in our domestic and overseas branch networks, and further brought together in an integrated whole the diverse resources of our subsidiaries and affiliates.

Total trade transactions for the year rose 8.9% or 15,324.50 billion yen. Volume was up in all segments. Steady increases in domestic transactions for metal and ore and machinery and significantly high export and offshore transactions, on machinery especially, offset some decrease in import transactions, which were impacted by sluggish commodity markets and appreciation of the Yen.

Gross trading profit increased steadily and was up sharply for machinery, but ordinary income only edged up to 40.5 billion Yen. The slower growth of ordinary income reflected a steep decline in profit on sale of marketable securities, but reduced selling, general and administrative expenses and lower financial costs associated with successive lowerings of the Official Discount Rate. Special losses of 29.5 billion Yen reflected disposal of unprofitable land and the liquidation of a number of shipping and other affiliates. Net income rose 2.1 billion Yen, to 7.5 billion Yen.

The cash dividend was set at 2.50 Yen per share, which together with the interim dividend of 2.50 Yen per share, maintained dividends for the year at 5.00 Yen.

Annual Report for the 1985/1986 fiscal year will be available at Hambros Bank Limited and Banque Internationale à Luxembourg S.A., by the end of July 1986.

HAMBROS BANK LIMITED
20th June, 1986.

Personal

PUBLIC SPEAKING
TRAINING AND SPEECH WRITING BY AWARD WINNING PUBLIC SPEAKER
01-451 2292
FIRST LESSON FREE

OMRON TATEISI ELECTRONICS CO.
(Tateisi Denki Kabushiki Kaisha)

Advice has been received from Tokyo that the Forty Ninth Annual Meeting of Shareholders will be held at the Enshukan Hall at the Head Office of the Company located at 10, Tsuchido-Cho, Hanazono, Ukyo-Ku, Kyoto at 9.00 a.m. on Friday, June 27th, 1986.

Objects of the meeting:

Matters to be reported: Business report and income statement for the 49th Fiscal Year from April 1st 1985 to March 31st 1986, and Balance Sheet as of March 31st, 1986.

Matters to be resolved on: Proposal for the appropriation of retained earnings of the 49th Fiscal Year.

In accordance with Clause 15 of the Conditions, holders of BEARER DEPOSITARY RECEIPTS wishing to instruct the Depositary to exercise voting rights in respect of the shares represented by their Receipts are notified that they must lodge their Receipts with one of the following by 3 p.m. 23rd June, 1986.

HILL SAMUEL & CO. LIMITED, 45 Beech Street, London EC2P 2LX. (where lodgement forms are available).

KREDIETBANK S.A. LUXEMBOURGEOISE, 43 Boulevard Royal, Luxembourg.

BANK OF TOKYO LIMITED, 4–8 Rue Sainte-Anne, Paris, 7500, France.

BANK OF TOKYO LIMITED, Immermannstrasse 43, 4000 Dusseldorf 1, Federal Republic of Germany.

BANK OF TOKYO LIMITED, Avenue des Arts 47–49, 1040 Brussels, Belgium.

BANK OF TOKYO LIMITED, Sutherland House, 3 Chater Road, Hong Kong.

BANK OF TOKYO TRUST CO., 100 Broadway, New York City N.Y. 10005.

If desired, instructions may be given to Hill Samuel & Co. Limited to give discretionary proxy to a person designated by the Company.

Voting Rights may only be exercised in respect of Depositary Receipts representing Ordinary shares on the Register as at 31st March, 1986.

Copies in English of the full text of the Notice convening the Meeting if required, are available during normal business hours at the offices, of any of the above mentioned Banks.

HILL SAMUEL & CO. LIMITED
45 Beech Street
London EC2P 2LX

Legal Notice

THE CHESTER CORN & FEEDS COMPANY LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act 1985 that a Meeting of the Creditors of The Chester Corn & Feeds Company Limited, will be held at the offices of
LEONARD CURTIS & PARTNERS,
48 Rodney Street,
Liverpool L1 9AA.
on Tuesday the 24th day of June 1986 at 12.00 o'clock midday, for the purposes provided for in Section 589 and 590.

Dated the 9th day of June 1986
K. L. NEWBY
Director

CAPE UNIVERSAL CLADDING LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act, 1985 that a Meeting of the creditors of the above-named Company will be held at the offices of Leonard Curtis & Co., 30 Eastbourne Terrace, London W2 6LF, on Friday the 27th day of June 1986 at 2.00 o'clock in the afternoon, for the purposes provided for in Sections 589 and 590.

Dated the 12th day of June 1986.
T. M. McKAIN,
Director.

FT COMMERCIAL LAW REPORTS

Complaint to industrial tribunal is real alternative to settlement

HENNESSY v CRAIGMYLE & CO LTD AND ACAS

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Parker and Lord Justice Woolf): May 22 1986

AN EMPLOYEE who agrees to be made redundant and accepts a lump sum "in full and final settlement" of all claims as an alternative to dismissal, cannot complain of unfair dismissal on the ground of economic duress if there was another alternative in that he could have complained to the industrial tribunal and drawn social security; and the agreement is not avoided by the statutory prohibition on contracting out of industrial rights if it was reached after consultation with a conciliation officer, though at the time of consultation the employee was not yet in a position to complain to the tribunal.

* * *

The Court of Appeal so held when dismissing an appeal by Mr Charles Hennessy from the Employment Appeal Tribunal's decision that an industrial tribunal had rightly rejected his complaint of unfair dismissal.

Section 140 of the Employment Protection (Consolidation) Act 1978 provides: "(1) . . . any provision in an agreement . . . shall be void in so far as it purports— . . . (b) to preclude any person from presenting a complaint to . . . an industrial tribunal. (2) Subsection (1) shall not apply . . . (d) to any agreement to refrain from presenting a complaint . . . where in compliance with a request under section 134 (3) a conciliation officer has taken action in accordance with that subsection."

Section 134: "(1) Where a complaint has been presented to an industrial tribunal . . . it shall be the duty of the conciliation officer . . . to endeavour to promote a settlement. . . (3) Where (a) a person claims that action has been taken in respect of which a complaint could be presented . . . and (b) before any complaint . . . has been presented, a request is made to a conciliation officer (whether by that person or by the employer) . . . the conciliation officer shall act . . . as if a complaint had been presented."

* * *

SIR JOHN DONALDSON MR said that Craigmyle was a professional charity fund-raising company which employed Mr Hennessy. On November 10 1983 they fell out. On November 18 Mr Hennessy, having been advised by his solicitor and a conciliation officer of the Advisory, Conciliation and Arbitration Service, signed an agreement whereby he accepted a lump sum "in full and final settlement of all claims" which he could bring before an industrial tribunal.

Mr Hennessy thereafter applied to an industrial tribunal, claiming compensation for unfair dismissal. The employers set up the agreement as a defence, but Mr Hennessy replied that it was void under section 140(1) of the Employment Protection (Consolidation) Act 1978, and voidable at common law as having been reached under economic duress.

The employers denied there had been any economic duress and said the operation of section 140(1) was excluded by section 140(2)(d) since a conciliation officer had taken action in accordance with section 134(3).

The industrial tribunal held that Mr Hennessy was not under a sufficient degree of economic duress when he signed the agreement to enable him to avoid it, and that the effect of section 140(1) was excluded by section 140(2)(d).

Mr Hennessy appealed unsuccessfully to the Employment Appeal Tribunal and now to the Court of Appeal.

* * *

The tribunal found that on November 10 Mr Hennessy was told it had been decided he would be summarily dismissed. He was then told he had an option of being made redundant with a payment of £3,810 plus his November salary and fringe benefits provided he signed a document to be prepared by Acas. Mr Hennessy signed the document because the alternative was penury and he had no means of living unless he signed.

The purpose of section 140 read with section 134 was to ensure that employees should not surrender their rights without first receiving independent advice from skilled conciliation officers.

It did not follow that such intervention would in all circumstances eliminate the possibility that duress amounted to coercion of will vitiating consent. It must, however, make the possibility more remote. Accordingly, the court would consider both section 140 and economic duress.

Mr Tyrrell, QC, for Mr Hennessy, submitted that when the agreement was signed no action had been taken in respect of which a complaint could have been presented and that Mr Hennessy had never claimed such action had been taken. Therefore, he argued, the conciliation officer had no warrant for acting in accordance with section 134(3) and it followed that section 140(2)(d) had no application.

That was not accepted. On November 10 Mr Hennessy was told he would be dismissed on November 18, come what might. The only doubt was whether it would be on terms of the settlement or on no particular terms.

The use of "claims" in paragraph (a) of section 134(3) had to be contrasted with the reference to presenting a complaint in paragraph (b).

All that was required was that the potential claimant should be alleging action which would enable him to present a complaint. It was not necessary that he should have got to the stage of considering presenting such a complaint.

Mr Hennessy was clearly alleging and complaining about the fact that he was to be dismissed on November 18. That was action which would have enabled him to present a complaint to an industrial tribunal.

Accordingly, the requirements of paragraph (a) of section 134(3) were satisfied, as were those of paragraph (b), since it was found that the conciliation officer was requested to make his services available by the employers.

It followed that the conciliation officer was under a duty to act notwithstanding that no complaint had been presented to an industrial tribunal.

Mr Tyrrell then submitted that more was required before section 140(2)(d) could neutralise the effects of section 140(1). It must be shown that the conciliation officer in fact took action "in accordance with" section 134(3).

Any suggestion that it was for the tribunal or court to consider whether the conciliation officer correctly interpreted his duties under section 134 was rejected. It was sufficient that he intended and purported to act under that section—as he clearly did.

That left the issue of economic duress.

At common law economic duress had been recognised as a potential ground for avoidance of a contract. It was a ground of avoidance only if the duress was such that the will of the contractor was overborne. His consent must be vitiated.

* * *

In *Pao On v Lau Yiu Long* [1980] AC 614 Lord Scarman said: "It must be shown that . . . the contract was not a voluntary act."

Mr. Tyrrell argued that Mr Hennessy was forced to agree to the settlement—that there was no alternative.

In fact there was a very clear alternative, namely to complain to an industrial tribunal and to draw social security meanwhile. It might have been a highly unattractive alternative, but nevertheless it was a real alternative.

Economic duress could only provide a basis for avoiding a contract if there was no real alternative.

Whether economic duress of that order did exist was entirely a question of fact for the industrial tribunal. The appeal should be dismissed.

Lord Justice Parker and Lord Justice Woolf agreed.

For Mr Hennessy: Alan Tyrrell QC and David Richardson (McCaws, Harpenden).

For Craigmyle: Roy Lemon (David Marshland, Croydon).

For Acas: Robert Jay (Treasury Solicitors).

By Rachel Davies
Barrister

THESE REPORTS are published in volume form with the full texts of judgments. For subscription details contact Kluwer Law Publishing, Africa House, 68 Kingsway, London, WC2B 6BD. 01-831 0391.

Financial Times Friday June 20 1986

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§125	F.P.	24/7	140	136	‡Accord Publications 5p	140	+2	Rd3.1	2.6	3.1	17.7
150	F.P.	30/6	151	138	Abmasc Group	150	+2	R5.85	2.5	5.5	10.4
§130	F.P.	13/6	135	117	‡Antler 5p	117	−3	u3.0	2.4	3.6	16.6
115	F.P.	11/7	180	155	Arlington Sec. 10p	180	......	b1.7	4.3	1.3	24.7
150	F.P.	20/6	161	148	Barker (Charles) 5p	150	......	u3.0	3.1	2.8	16.3
147	F.P.	4/7	140	130	Blick 5p	140	......	R3.4	3.1	3.4	13.4
145	F.P.	25/7	175	160	Bredero Props	163	......	R4.25	2.3	3.7	13.8
§60	F.P.	20/6	61½	54	‡Brit. Isl. Airways 10p	56	−1	bd2.82	2.1	7.1	7.8
§110	F.P.	—	115	108	‡C'bell & Armstrong 5p	115	.	u3.91	1.9	4.8	14.7
§130	F.P.	4/7	167	150	‡Clarke Hooper 5p	150	......	b2.3	2.9	2.2	22.5
§125	F.P.	6/6	138	123	Comb. Lease Fin. 50p	130	+1	L1.35	3.9	1.5	18.7
107	F.P.	27/6	131	113	Dalepak Foods 5p	126	+2	R2.3	3.2	2.6	17.1
§155	F.P.	6/6	232	172	‡Davies (D.Y.) 5p	216	......	x3.4	2.7	2.2	23.3
§50	F.P.	11/6	62	50	‡Dean & Bowes 5p	62	......	L2.5	1.5	5.7	16.7
§130	F.P.	6/6	151	133	‡Debtor 10p	137	......	u4.0	2.7	4.1	12.9
§58	F.P.	4/7	63	59	Denison Intl 5p	63	......	V1.65	2.1	3.7	16.1
§39	F.P.	27/6	42	32	‡Eadie	42	+3	R1.75	2.0	5.9	10.1
120	F.P.	17/7	123	111	Evans Halshaw	123	+6	u3.38	3.1	6.6	8.1
140	F.P.	4/7	130	120	‡Fields (Mrs) Inc$0.05	120	......	R04.5c	2.6	2.6	15.2
—	—	—	35	27	German Secs. Warrts	32	......	—	—	—	—
150	F.P.	—	155	150	Guthrie Corp	154	+3	U5.3	2.2	4.8	11.0
140	F.P.	20/6	150	141	Haggas (John) 10p	143	+1	ud3.0	3.2	3.0	14.8
§85	F.P.	—	93	90	‡Hodgson Hldgs 5p	91	......	R2.13	2.3	3.3	16.5
120	F.P.	30/5	130	110	Ipeco Hldgs 10p	110	......	u2.7	3.3	3.5	12.5
104	F.P.	—	118	90	Jarys Hotel	102	......	u3.75	2.1	5.2	11.3
§70	F.P.	14/5	93	80	‡Lodge Care	82	......	u2.0	2.4	3.4	17.1
145	F.P.	16/7	130	125	Lopex 5p	130	......	R4.0	2.3	4.3	13.9
‖‖	F.P.	—	62	49	Merlin Int'l Props	55	......	a0.58	2.0	1.5	40.7
157	F.P.	26/6	157	145	‡Monotype Corpn 10p	154	......	R4.4	1.6	4.0	15.3
165	F.P.	18/6	190	170	P-E International 10p	180	−5	1.8	3.4	1.4	29.0
§100	F.P.	27/6	105	104	‡Savage Group 20p	105	......	R3.0	2.5	4.0	13.9
**	F.P.	6/6	710	550	Schroders £1 N/V	710	+35	10.75	—	2.1	—
§40	F.P.	—	42	38	‡Soundtracs 5p	38	......	b1.2	2.8	4.5	11.3
§72	F.P.	13/6	74	70	‡Splash Prods. 10p	70	......	a3.27	1.6	6.6	13.6
§95	F.P.	—	110	108	‡Task Force 5p	108	−2	R1.78	3.8	2.3	16.0
§140	F.P.	6/6	141	117	Tech. Project Ser. 10p	115	......	a2.49	3.2	3.1	14.6
112	F.P.	—	121	116	Tenby 50p	121	......	u4.0	2.6	4.7	9.4
§100	F.P.	23/6	102	92	‡Usher (Frank) 5p	92	−1	u4.5	1.9	6.9	11.0
145	F.P.	20/6	161	150	Westbury 10p	161	+1	R4.1	3.1	3.6	12.8
§110	F.P.	26/6	147	123	Worcester 10p	146	−1	u3.91	2.2	3.8	14.4

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
‖	Nil	—	11pm	8pm	Amari 8% Cum. Conv. Red. Pref.	8pm	−1
§99.50	£10	28/8	9¼	9	Bristol Water 9.8% Red Deb '96	9	......
§99.256	£30	29/8	30¼	27¾	Brit. Alcan Aluminium 10⅞% Deb. 2011	27¾	−½
¶¶	F.P.	—	99½	97	Brit. Emp. Secs. 10⅝% Deb. 2011	97½	−½
§94.203	£25	31/10	25⅝	23¾	Brixton Est 9.5% 1st Mort Deb 2026	23⅝	−⅝
100	£10	14/8	10¼	8¾	Cambridge Water 10% Red Deb '96-98	8¾	......
109.89	£40	29/8	40	37¼	Estates & Gen. 11¼% 1st Deb. 2018	37¾	−¼
‖	Nil	4/8	7ppm	7½pm	Friendly Hotels 5% Conv. Cum. Red. Pref.	7ppm	−1
97.963	£25	24/10	25¾	21	Gt. Portland 9½% 1st. Mort. Deb. 2016	21	−½
105.523	£25	21/8	26	20¾	Land Securities 10% 1st. Mort. Deb.25	20¾	−⅝
§99.951	£40	14/7	42	37½	Lon. Prov. Shop 10% 1st. Mtg. Deb. 2026	37½	−¼
§99.793	£25	24/9	24⅝	21½	Lon. Shop Prop. 10% 1st. Mort. Deb. 2026	22	−½
100	£10	14/8	10¼	9	Mid Southern Water 10% Red Deb '95-98	9	......
—	F.P.	—	100⅛	99⅞	Nationwide Bld Soc 9⅞% 18/5/87	100	......
—	F.P.	—	100⅛	99⅞	Do 9⅞% 15/6/87	99⅞	......
§97.50	F.P.	—	97⅛	97⅛	Paribas Concorde Tst.9.364% Deb. 1991	97⅛	......
§99.623	£40	30/6	41¼	36¾	Peel Hldgs. 9⅞% 1st. Mort. Deb. 2011	36⅝	−⅜
§87.179	£30	26/9	30⅞	28⅞	Portugal 9% Ln. 2016	28⅞	−⅛
§99.888	£40	1/8	44	39½	Queens Moat 10¼% 1st. Mort. Deb. 2020	39⅞	−⅞
§99.480	£25	18/7	31⅛	24¾	S.E. 10⅛% Mort. Deb. 2016	25¼	−½
§99.50	£10	28/8	9¼	8¾	Sund. & S. Shields Wtr 9.8% Rd Db '96	8¾	......
§48.835	F.P.	15/8	48⅛	47⅜	Tesco 4% Uns Deep Dis Ln 2006	47⅞	−⅛
¶¶	F.P.	—	125p	112p	Tomkins (F H)5.6% Cum. Cnv. Red. Prf	125p	+5
99.073	£25	8/8	25¼	23½	Tops Est. 10¼% 1st. Mort. Deb 2011/16	23½	−¼
¶¶	F.P.	—	106	104p	Williams Hldgs. 5½% Cum. Conv. Red. Pref.	106	+1½
£100	£50	12/9	50¼	47¾	Witan Inv. 8½% Deb 2016	47⅞	−⅝
§100	£10	14/8	10¼	9	York Water 10% Red. Deb. 1996/98	9	......

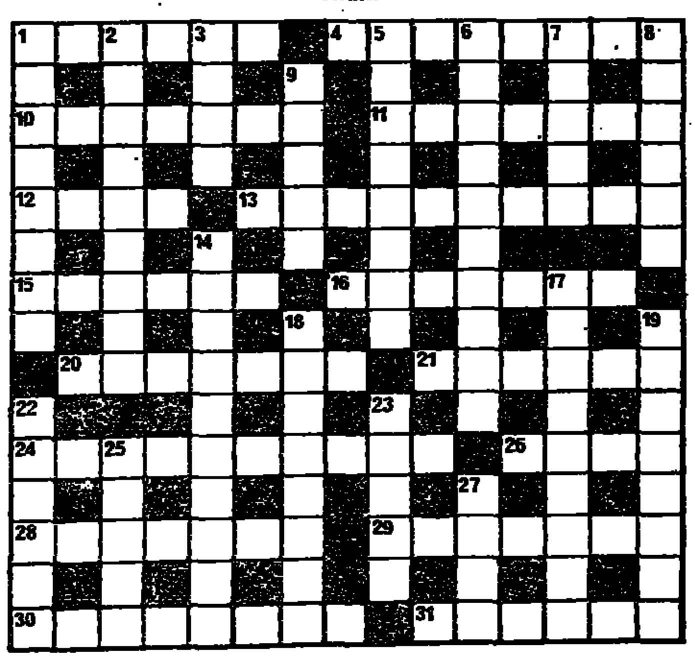
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
355	F.P.	18/7	420	402	Berkeley Group	420	+10
110	F.P.	11/7	139	132	Britannia Arrow	137	+4
190	Nil	8/8	45pm	28pm	Clifford's Dairies	28	......
170	Nil	8/8	27pm	22pm	Do A N/V	22pm	......
30	F.P.	19/7	41	34	Feedex Agricultural 10p	37	+1
47	Nil	15/8	11pm	9pm	Five Oaks Invs.	9pm	−1
300	Nil	24/7	45pm	28pm	Gerrard & Natl.	35pm	+2
235	F.P.	18/7	263	240	Leo. Group 2p	245pm	......
235	Nil	11/7	27pm	12pm	McCarthy & Stone 20p	18pm	......
45	Nil	11/7	50pm	43pm	Molynx 20p	45pm	......
200	Nil	18/7	305pm	250pm	Nat West Bank £1	303pm	+13
18	Nil	23/7	5pm	1pm	Neil & Spencer 10p	3pm	−2
2	F.P.	15/7	3½	2¾	‡Property Trust 'A' 1p	3½	......
600	F.P.	22/7	830	748	Prudential Corp	830	+20
½	Nil	11/7	2½pm	1¼pm	Rotaprint ½p	2½pm	......
285	Nil	—	50pm	43pm	Scottish TV 10p	50pm	+5

Renunciation date usually last day for dealing free of stamp duty. *a* Annualised dividend. *b* Figures based on prospectus estimates. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. *i* Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. *u* Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. ‡‡ Dealt in under Rule 535 (3). ψ Dealt in under 535 (4) (e) †† Official London listing.

F.T. CROSSWORD PUZZLE No. 6,052

VIXEN



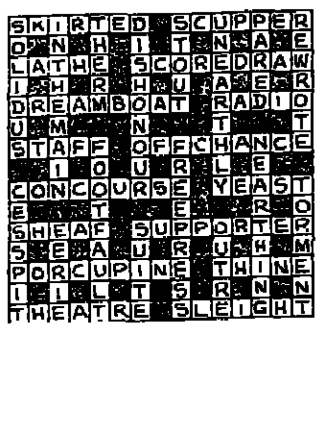
ACROSS

1 The women's lead is surprising (6)
4 Liking both to write and sing music (8)
10 Cold continent (7)
11 Loss of memory afflicting men in Asia (7)
12 Not the sole blackguard (4)
13 Manage a number with little rest possibly (10)
15 Seeing employer returning before half-time, get started again! (6)
16 Lying about some hurt (7)
20 Object for examination (7)
21 The solution's found right after a news-broadcast (6)
24 Manual worker, a good man, with one graduate son (10)
26 Sustained hunger (4)
28 "A man cannot be too careful in the choice of his..." Wilde (Picture of Dorian Gray) (7)
29 Turned colour and left the river (7)
30 Noisy scheming fellow (8)
31 School where soldiers exercise on (6)

DOWN

1 The early break can be tough (8)
2 Coin-in-the-slot source of medicaments? (9)
3 Always in the very best of health (4)
5 Questioned cut-back and got out (8)
6 Considers one's temporary accommodation harmonious (10)
7 When ready it will be an item of some value (5)
8 A container of sorts, true—an extraordinary arrangement (3-3)
9 Nurses aim to be seen in back-street (5)
14 Concealing failed M.O.T., he grins (10)
17 Points in favour of lining a home in woodland (3, 8)
18 Criminal taking dope repeatedly at home (8)
19 Conservative in East Anglian area causing scare (8)
22 Venomous creature catching a general napping (6)
23 Fills boys with nothing inside them (5)
25 A foreign character in some gainful occupation (5)
27 Liberal and revolutionary leader in charge (4)

SOLUTION TO PUZZLE No. 6,051



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)

Waverley Asset Management Ltd (a) (c) (g)

WestAvon Unit Trust Managers Ltd(a)(c)

Whittingdale Unit Trust Managers

Windsor Trust Mngrs Ltd

Wright Seligman Fund Managers Ltd

The Yorkshire General Trust

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Aetna Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Ambassador Life Ass. Co. Ltd.

American Life Insurance Co UK

Baltic Assurance Funds

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

British National Life Assurance Co Ltd

Canada Life Group

Cannon Assurance Ltd

Cannon Assurance Ltd—Continued

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Fidelity International

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Commercial Union Group

Continental Life Insurance PLC

Cornhill Insurance PLC

Credit & Commerce Life Ass. Ltd

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Devonshire Life

Eagle Star Insurance Co Ltd

Eagle Star Insur/Midland Assur.

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Federation Mutual Insurance Ltd

Framlington Life Insurance Ltd

Friends' Provident Life Office

GT Management Ltd

General Accident Life Assurance(x)

Assicurazioni GENERALI SpA

General Portfolio Life Ins. Plc

Gresham Unit Assurance Ltd

Growth & Sec. Life Ass. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Benefit Society

Henderson Administration (z)

Hill Samuel Life Assur. Ltd

Imperial Life Ass. Co of Canada

Imperial Life (UK) Ltd

Irish Life Assurance Co Plc

The LAS Group

Langham Life Assur. Co Ltd

Legal & General (Unit Assur) Ltd

Kingswood House, Kingswood, Tadworth, Surrey KT20 6EU

Legal & General Prop. Fd. Mgrs. Ltd

Liberty Life Assurance Co Ltd

For Lloyds Life Assurance see Royal Heritage Life Assurance Limited

London & Manchester Group

M & G Group

MGM Assurance

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

National Life

National Mutual of Australasia

National Provident Institution

National Provident Institution—Cont

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd.

Pension Life Assurance Co Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Property Growth Pensions & Annuities Ltd

Providence Capital Life Ass. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Provincial Life Assurance Co Ltd

Prudential Assurance Co

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Save & Prosper Group

Schroder Life Assurance Ltd

Scottish Amicable Investments

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Sentinel Life plc.

Skandia Life Assurance Co Ltd

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

Western Trust & Savings Limited
The Moneycentre, Plymouth PL1 5E 0752 24141

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. φ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	18
*BAT	38	Midland Bk	94
BOC Grp	32	NEI	11
BSR	14	Nat West Bk	70
BTR	45	P & O Dfd	45
Babcock	28	Plessey	20
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect	17
Blue Circle	55	RHM	20
Boots	26	Rank Org Ord	48
Bowaters	30	Reed Intnl	75
Brit Aerospace	48	Sears	12
Brit. Telecom	17	TI	42
Brown (J.)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	12
Charter Cons.	22	Turner Newall	18
Comm Union	28	Unilever	120
Courtaulds	26	Vickers	40
Distillers	52	Wellcome	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	100	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min.	2½
Hanson Tst.	16	Brit Petroleum	48
Hawker Sidd	52	Burmah Oil	38
ICI	50	Charterhall	3
'Imps'	28	Premier	3½
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	79	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Inds	60	Lonrho	25
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

October launch for oil products futures

By Lucy Kellaway

LONDON'S International Petroleum Exchange yesterday announced details of two new oil product contracts, which are due to start trading at the beginning of October.

The contracts, based on gasoline and heavy fuel oil, will trade alongside the existing gas oil contract to provide the industry with a full "paper refinery" against which to hedge its risks, Mr Peter Wildblood, chief executive of the exchange said yesterday.

This will be the exchange's third attempt at diversification following the unsuccessful launch of a re-vamped Brent crude oil contract in November last year. This was hit by the collapse in the oil price and trading has now dried up altogether.

Since 1982 the exchange's position in the futures markets has weakened with trading in gas oil, its only contract, not including the moribund Brent contract, in steady decline. However, so far this year the downward trend has been reversed, with volumes 110 per cent up compared with 1985.

The IPE is currently considering a second relaunch of the Brent contract, this time opting for physical delivery at Sullom Voe instead of cash delivery, as specified in the existing contract. However, this remains a long term prospect. The original contract, which called for physical delivery at Rotterdam, collapsed in 1984.

The gasoline contract is for low lead premium gasoline (4 star petrol) and is designed to be used by refiners, distributors and suppliers of petrol.

The Heavy Fuel Oil contract is for heavy, high sulphur, high viscosity fuel, in line with heavy industry and ships bunker requirements.

The exchange has embarked on an international marketing drive to brief industry about the contracts.

Both contracts are for delivery at Amsterdam, Rotterdam or Antwerp between the 15th and the last day of the delivery month. The unit for the gasoil contract is 100 tonnes, with delivery by volume—132.45 cubic metres being the equivalent of 100 tonnes of premium gasoline at a density of 0.755 kq/litre in vacuum at 15 degrees centigrade.

The unit for the heavy oil contract is 100 tonnes by weight. The density at 15C is a maximum of 0.991: the maximum sulphur is 3.5 per cent by weight; the poor point is 24C, and the vanadium is 200ppm.

NFU leader expects grain curbs within three years

BY ROBIN REEVES

MANDATORY output restrictions would be imposed on EEC cereal farmers within the next three years, Mr Simon Gourlay, president of the National Farmers Union, predicted yesterday.

Mr Gourlay said there was scope for encouraging alternative crops. He would like to see a deficiency payments scheme to encourage the growing of pulses and so help replace the 20m tonnes of soya beans currently imported into the EEC each year.

He was unhappy over a recent Ministry of Agriculture proposal to pay farmers to leave land fallow for five years. "This would encourage dereliction," he said.

But given the EEC Common Agricultural Policy's mounting surpluses and growing financial difficulties, he found it difficult to see how output restrictions on grain could be avoided.

"To get the market into balance, we are looking at mandatory restrictions on cereals production within three years," he said.

It might be a quota system similar to that imposed on milk producers two years ago or a licensing arrangement. The significance of Mr Gourlay's comments—made during a Press visit to his 180-acre Radnorshire farm yesterday—is that this is the furthest a farmers' leader has so far gone in accepting the inevitability of output curbs being extended from milk to cereals.

Mr Gourlay added that he was unimpressed by arguments that curbs would not work because of difficulties of policing them. American farmers had been required to set aside land from grain production for many years. They were currently on a 28 per cent set aside. European farmers could well be policed through a mixture of satellite and aerial surveillance and spot checks.

"When you have got stuff coming out of your ears, you have to do something," he added. Commenting on the result of the Home Grown Cereals Authority poll of cereals growers, Mr Gourlay said: "This gives a clear go ahead for a vitally important package of initiatives for the funding of research, food promotion and boosting of grain exports.

In the poll, cereal growers committed themselves to a levy on grain sales of up to 20p per tonne, adjusted for inflation, to provide the money required for these initiatives.

EEC feed industry 'pessimistic'

THE EEC's compound feed industry faces lower production volumes and has reasons for pessimism, Mr Cornelis Van Der Wal, chairman of the feedstuffs section of Coceral, the EEC's grain trade lobby, said in Munich yesterday, reports Reuter.

Speaking at Coceral's annual congress, he said lower production volumes could be attributed mainly to reduced feeding in the dairy sector.

"We have reason for pessimism, mainly because of increasing protectionism, the high risk of trade war . . ." he added.

Mr Van Der Wal was sharply critical of the fact that the liberalisation of the EEC market, envisaged in its founding Treaty of Rome, had not yet been fulfilled.

"The internal barriers between EEC countries and custom services remain intact, custom buildings expand," he said.

Concerning trade with third countries, Mr Van Der Wal said this depended mainly on free access to raw materials at low cost but recent developments in the trade with China gave reason for concern.

A trade agreement made between the EEC and China called for promotion and liberalisation of trade, including farm produce, extending the list of liberalised goods and widening and abandoning tariff contingencies.

"However, the EEC has acted unilaterally and seemingly in contravention of these argument, of the Treaty of Rome and of the principles of administrative law," Mr Van Der Wal said.

Mr Rudolf Stoeb, Coceral's head of foreign trade, told the congress that the EEC must reduce its cereal production capacity as soon as possible or it could face drastic measures to deal with grain surpluses.

He warned that at the beginning of the 1990s a cumulated surplus of almost 70m tonnes was possible.

China tops coal output league

BY MAURICE SAMUELSON

CHINA has overtaken the US to become the world's biggest producer of coal, according to a survey of oil, gas and coal in 1985.

While the US mined 745m tonnes, this was exceeded by China's estimated production of 812m tonnes, 48m tonnes more than in 1984, says the Shell Briefing Service issued in London by Royal Dutch/Shell.

Although China's output was about 18m tonnes less than forecast a year earlier, the increase over 1984 reflected the continued momentum of its drive to expand production to about 1.2bn tones a year by the end of the century.

Last year also saw further increases both in the global production total and in the quantities of hard coal traded internationally.

Hard coal includes anthracite and bituminous coal for use in power stations, factories, steel works and for space heating.

Production, the report says, exceeded 3.2bn tonnes, an increase of 164m tonnes or 5 per cent on 1984 levels, while the amount traded world-wide rose nearly 9 per cent to reach 321m tonnes, about a tenth of total output.

WORLD HARD COAL PRODUCTION (million tonnes)

	1985*	1984	1983
China	812	732	657
US	754	761	664
Soviet Union	561	555	509
Poland	192	192	191
South Africa	171	158	146
India	155	145	135
Australia	126	115	109
UK	94	51	122
West Germany	89	85	90
Others	250	246	274
Total	3,204	3,040	2,897

* latest estimates

Buoyed up by its growing coal industry, China is expected to raise its export tonnage to some 9m tonnes in 1986, with expectations of a possible 20m tonnes by 1990.

Australia, the largest exporter of both steam and metallurgical coal, maintained its dominant position with total hard coal exports reaching 87m tonnes, some 7m tonnes higher than in 1984. South Africa raised its export tonnage by some 16 per cent to 43m tonnes, although trade with some West European countries, notably France and Denmark, has already been reduced because of those countries' opposition to South Africa's racial policies.

Colombia, a newcomer to the power station coal business, made a good start and improved loading techniques at Puerto tonnes exported last year was a prelude to considerably larger tonnages.

Gold sales in Japan forecast to beat 1985 record by 50 per cent

BY STEFAN WAGSTYL

FINANCIAL TIMES CONFERENCE

GOLD

Gold sales in Japan this year could rise by more than 50 per cent above 1985's record level of 303 tonnes, says Tanaka Kikinzoku Kogyo, a leading Japanese trading company.

Mr Takashi Tanaka, the managing director, told a Financial Times conference in London that this forecast was supported by the fact that gold imports to the end of April had already reached 67 per cent of last year's record total of 197 tonnes.

Steady demand for jewellery, a moderate but stable recovery in sales to the electronics industry and burgeoning investment in gold induced by the strength of the yen underlay the prediction, he said.

Mr Tanaka said that the Japanese Government had already bought 200 tonnes of gold for the minting of 10m 20 gramme coins to mark the sion of Emperor Hirohito. Mr Victor Lam, managing director of Shearson Lehman Brothers Bullion (Asia), a trading subsidiary of American Express, said he believed that these purchases were not yet reflected in the import figures. The May and June figures might show even more substantial increases than those already seen this year.

Mr Tanaka said that even allowing for the fact that 1986 sales would be boosted by the special coin he expected Japanese gold demand to remain strong in 1987. Japanese investors would continue to buy other coins, such as the Canadian Maple Leaf.

Mr Tanaka said the reason why Japanese demand for gold remained firm while it had slipped in the rest of the world was that during the Second World War the Government had bought up virtually all the gold in private hands. Investors were rebuilding their portfolios and would continue to do so until holdings reached European levels.

Japanese demand was also highlighted by Mr Lam who said the gold market was now dominated to an unprecedented extent by physical business, in which bullion changes hands, as opposed to paper trading for investment purposes. Japanese buying stopped prices falling while (rising) supplies from producers put an upper limit on the market.

But Mr Lam was pessimistic about the prospects for gold demand in other East Asian countries unless their economies improved or their currencies rose against the US dollar, cutting the local price of gold.

THE Canadian Royal Mint is expanding the range of its Maple Leaf gold coins, which have taken over from Krugerrands as the world's best-selling gold coins.

The mint yesterday launched a half-ounce coin to be one-ounce, quarter-ounce, and tenth-hounce coins. Mr Robert Huot, the vice-president for marketing, said the fractional coins competed directly with small bars and wafers of gold.

The mint hopes that the new coin will increase its *penetration in a market which* is likely to become increasingly competitive as various producers try to take advantage of the demise of the Krugerrand.

The Maple Leaf has sold more than 8m ounces since its introduction in 1979. Last year sales reached 1.878m ounces—

Mr Jack Spall, managing director of Sharps, Pixley, the London bullion house which is a subsidiary of merchant bank Kleinwort Benson, said the London Gold Market was confident it would continue to be supervised by the Bank of England, following the changes in City regulation planned by the Government in its Financial Services Bill. The bullion houses were pressin gthe Department were pressing the Department the silver market in a similar way.

Mr Spall criticised the Financial Services Bill for unwittingly accelerating a move from a financial market to where the letter of the law rather than the spirit of "my word is my bond" prevailed. The tin crisis, in which the International Tin Council defaulted on debts to banks and metal traders, made the point quite clearly, he said.

Mr Rolf Willi, general manager and treasurer of Dresdner Bank, said his bank advised conservative long-term investors to keep 10 per cent of their funds in gold. Gold continued to be primarily a store of value rather than a high-performance investment.

India considers relaxing import ban

BY R. C. MURTHY IN BOMBAY

THE INDIAN Government is conducting a wide-ranging review of gold trading which could lead to lifting the ban on imports.

The official review is part of the Rajiv Gandhi Government's drive to relax controls and harness the skills of India's half a million goldsmiths so as to boost exports of gold jewellery and reduce smuggling in to the country.

More than 100 tonnes of gold is smuggled into India every year, much of it bartered against exports of commodities. In spite of the import ban, India's gold usage has soared, making the country the second largest user in the world, after Italy.

The offtake of gold (including recycled scrap) jumped 20 per cent last year to 174.2 tonnes from 145.2 tonnes in 1984. Italy remained well ahead of India, however, with a consumption of 255.6 tonnes last year.

The surge in demand for gold, which has driven the Indian price well above the world market level, has occurred in spite of a boom on India's stock markets over the past two years and encouragement by the Government for all sections of the populace to channel investment funds into local industries through stock markets. The boost for gold has come primarily from rural population, which prefers tangible assets to shares.

Consolidated Gold Fields in its report "Gold 1986," says a continued improvement in the economic environment, helped by the run of excellent harvests in recent years, led to a further increase in Indian gold demand.

Unable to curb the lure of gold, the Government plans to relax the restrictions. It has three proposals under consideration:

● To permit the import of a small quantity of gold as part of personal baggage by incoming overseas passengers on payment of import duty in foreign exchange.

● To set up a gold bank, which can be drawn upon by goldsmiths for making jewellery against export orders.

● To stiffen controls by making punishments for smuggling harsher.

Pending the outcome of the official review, the government has agreed to provide gold at international prices for export production of jewellery taking into account three per cent loss of gold in the process of conversion to jewellery. Special export processing zones are to be sited at Delhi and Bombay to facilitate exports.

Mr Shantilal Sonawala, president of Bombay Bullion Association, says India can export Rs 10bn worth of gold jewellery a year if the right conditions are created.

LONDON MARKETS

FREER AVAILABILITY of supplies for immediate delivery encouraged "lending" (selling cash and buying forward) on the London Metal Exchange copper market yesterday with the result that values declined and the cash discount against the three months position widened. Cash copper closed £12 lower on the day at £938.50 a tonne and the discount moved out from £6 to £13.25 a tonne. Zinc values continued this week's gentle slide with the cash position losing another £5.50 to £536.50 a tonne, £10 down on the week so far. Dealers said the fall reflected sterling's early firmness against the dollar and a lack of follow through buying after Wednesday's late rally. Sentiment was also influenced by a report the striking workers at the Broken Hill mines in Australia were "prepared to compromise" over the company's demand for substantial pay cuts.

LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

DOW JONES

MAIN PRICE CHANGES

ALUMINIUM

COPPER

COCOA

Futures were limited to a narrow range and, although trading close to the previous close, closed unchanged. Producers made light sales at the higher levels but consumers were withdrawn, reports Gill and Duffus.

LEAD

COFFEE

NICKEL

TIN

ZINC

SOYABEAN MEAL

GOLD

GRAINS

SILVER

SUGAR

MEAT

RUBBER

POTATOES

OIL

US MARKETS

THE SUGAR MARKET was subject to massive liquidation pressure towards the end of a session which had promised to continue the brighter tone seen on Wednesday, reports Heinold Commodities. Light follow-through buying characterised the opening, following reports of good physical offtake by Egypt and India in the previous days. However, having penetrated 7c for October delivery on the opening, the market failed to attract enough buyers to surpass a crucial chart point at 7.10c, which computer-led funds interpreted as technical weakness. At the close prices remained just above the important long-term support area at 6.50c. Platinum prices collapsed on the close of a nervous session, again reflecting the absence of any news after the weekend commemorating the Soweto riots. An attempt to consolidate values for the October position above $440 failed as commission houses liquidated, forcing prices down to $430 at one point.

NEW YORK

CHICAGO

FREIGHT FUTURES

GAS OIL FUTURES

Scots tourism aid detailed

THE Scottish Tourist Board has assisted new tourist developments worth £33m in the past two years, directly creating 700 full-time jobs, Mr Alan Devereux, the board's chairman, said yesterday.

He said that in 1984 and 1985, the board pump-primed £6.7m of financial assistance into 284 projects and attracted £27m of investment to Scotland.

"The resulting employment, both directly and indirectly from this programme, adds up to about 2,000 widely dispersed new jobs that would not otherwise have happened. The immediate impact is not as dramatic as opening a new factory, but in the long run, employment stability is likely to be better," he said.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar eases in quiet trading

The dollar recovered from early lows yesterday but still finished down on the day in very quiet and lacklustre trading. Economic statistics released provided little incentive to push the dollar outside its recent trading range. US personal income fell by 0.1 per cent in May after a rise of 1.2 per cent in April while personal expenditure rose in the same period by 0.9 per cent after 0.5 per cent in April.

In the absence of anything to motivate much movement the dollar edged up from a low of DM 2.2230 against the D-Mark to finish at DM 2.2320, still down from DM 2.2405 on Wednesday. Coments by President Reagan indicating his preference for lower interest rates may have limited the extent of the recovery however. Against the yen it closed at Y166.85 down from Y167.60 and SFr 1.8390 compared with SFr 1.85. It was also lower against the French franc at FFr 7.1250 from FFr 7.1450. On Bank of England figures, the dollar's exchange rate index fell from 116.1 to 115.9.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3700. May average 1.5202. Exchange rate index 75.6, unchanged from the opening level and Wednesday's close. The six-months ago figure was 77.9.

Sterling was very subdued, losing ground a little to European currencies but picking up against the dollar. It closed at $1.5040 up from $1.5005 but eased to DM 3.3575 from DM 3.3625. Elsewhere it eased to Y251.0 from Y251.50, SFr 2.7650 from SFr 2.7750 and FFr 10.7150 compared with FFr 10.72.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1640. May average 2.2295. Exchange rate index 134.9 against 130.4 six months ago.

Trading was extremely quiet and featureless in Frankfurt yesterday with the dollar confined to its recent range but finishing towards the day's highs on light short covering. US economic statistics released showed very little cause for encouragement and were insufficient to push the dollar outside levels seen recently. The US unit closed at DM 2.2365, up from a fixing of DM 2.2285 but down from DM 2.2410 on Wednesday. News that the Bundesbank had left its interest rates unchanged after yesterday's meeting of the central council was expected and had no effect on the D-Mark.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 161.05. May average 167.01. Exchange rate index 206.3 against 177.2 six months ago.

The yen was slightly easier against the dollar in Tokyo yesterday in rather mixed trading. There was very little clear idea in the market in which direction the dollar was heading. Mr Paul Volcker, chairman of the US Federal reserve board, suggested on Wednesday that a sluggish US economic growth rate was partly a reflection of the country's large trade imbalance but the market arrived at differing interpretations as to how this would affect the dollar. For the time being it is confined to a fairly narrow range but may well decline further over a longer period. Yesterday it closed at Y166.95 compared with Y166.70 on Wednesday.

£ IN NEW YORK

June 19	Latest	Prev. close
£ Spot	$ 1.5065-1.5075	$1.5045-1.5055
1 month	0.37-0.35pm	0.37-0.35pm
3 months	1.05-1.00pm	1.06-1.04pm
12 months	3.50-3.15pm	3.40-3.30pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

June 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5000-1.5075	1.5035-1.5045	0.38-0.35c pm	2.91	1.08-1.03pm	2.81
Canada	2.0960-2.1013	2.0960-2.0980	0.28-0.18c pm	1.32	0.61-0.46pm	1.02
Nethlnd.	3.77¼-3.78½	3.77½-3.78½	1¼-1c pm	3.57	3⅝-3⅛pm	3.64
Belgium	68.44-68.83	68.60-68.70	17-12c pm	2.53	46-37pm	2.42
Denmark	12.44¼-12.49¼	12.46¼-12.47¼	2¼-1¾ore pm	2.11	6-4¾pm	1.72
Ireland	1.1050-1.1100	1.1080-1.1090	0.10-0.02p pm	0.65	0.20-0.02pm	0.40
W. Ger.	3.35-3.36¼	3.35¼-3.36¼	1½-1¼pf pm	5.27	4½-4¼pm	5.03
Portugal	225.38-227.63	225.38-227.03	90-245c dis	−8.89	255-760dis	−8.98
Spain	214.60-215.63	215.23-215.53	45-85c dis	−3.62	100-190dis	−2.69
Italy	2298¾-2307¾	2303½-2304½	2-7 lire dis	−2.34	8-16dis	−2.17
Norway	11.44½-11.47	11.44½-11.45½	3¾-4¾ore dis	−4.06	11⅞-13dis	−4.34
France	10.69¼-10.73¼	10.71-10.72	2½-2c pm	2.51	6½-5¼pm	2.28
Sweden	10.82¼-10.87	10.85-10.86	½-1¼ore dis	−0.89	1¼-2¼dis	−0.59
Japan	250¾-252	250½-251½	1¼-1y pm	5.38	3¼-3pm	5.08
Austria	23.55-23.61	23.57-23.60	10¼-8¼gro pm	4.78	27¼-24½pm	4.40
Switz.	2.76-2.77¼	2.76-2.77	1½-⅞c pm	4.34	3¼-3pm	4.61

Belgian rate is for convertible francs. Financial franc 68.65-68.75
Six-month forward dollar 1.97-1.90c pm. 12-month 3.50-3.35c pm
Correction for June 18, Denmark: Days spread 12.43-12.50¼
Close 12.45¾-12.46¼

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5000-1.5075	1.5035-1.5045	0.38-0.35c pm	2.91	1.08-1.03pm	2.81
Ireland†	1.3528-1.3625	1.3570-1.3580	0.40-0.20c pm	2.65	1.00-0.70pm	2.50
Canada	1.3910-1.3955	1.3940-1.3950	0.17-0.20c dis	−1.59	0.60-0.65dis	−1.80
Nethlnd.	2.5005-2.5190	2.5130-2.5140	0.18-0.15c pm	0.79	0.61-0.56pm	0.93
Belgium	45.45-45.75	45.60-45.70	par-2c dis	−0.26	1-5dis	−0.26
Denmark	8.25½-8.30¼	8.28¼-8.29¼	0.25-0.75ore dis	−0.72	1.75-2.25dis	−0.97
W. Ger.	2.2230-2.2376	2.2315-2.2325	0.48-0.45pf pm	2.50	1.35-1.32pm	2.40
Portugal	150¾-151½	151¼-151½	100-200c dis	−11.94	275-600dis	−11.61
Spain	142.40-143.27	143.00-143.10	80-100c dis	−7.58	190-230dis	−5.88
Italy	1526-1535	1531¼-1532¼	5½-8 lire dis	−5.30	17-20½dis	−4.90
Norway	7.59-7.61¼	7.61-7.61½	4.20-4.60ore dis	−6.94	13.30-13.70d	−7.10
France	7.10-7.14	7.12¼-7.12¾	0.10-0.25c dis	−0.29	0.60-0.85dis	−0.40
Sweden	7.19-7.22	7.21½-7.22	2.15-2.35ore dis	−3.74	5.75-6.15dis	−3.30
Japan	166.35-167.25	166.80-166.90	0.34-0.29y pm	2.26	0.97-0.92pm	2.26
Austria	15.63-15.71½	15.66½-15.67	3-2gro pm	1.91	8-6pm	1.78
Switz.	1.8340-1.8420	1.8385-1.8395	0.29-0.24c pm	1.73	0.90-0.80pm	1.85

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 45.65-45.75.

EXCHANGE CROSS RATES

Jun. 19	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.504	3.358	251.0	10.72	2.765	3.780	2304	2.099	68.65
$	0.665	1.	2.232	166.9	7.125	1.839	2.514	1532	1.396	45.65
DM	0.298	0.448	1.	74.76	3.191	0.824	1.126	686.2	0.625	20.45
YEN	3.984	5.992	13.38	1000	42.69	11.02	15.06	9179.	8.363	273.5
F Fr.	0.933	1.404	3.133	234.3	10.	2.580	3.528	2150.	1.959	64.07
S Fr.	0.362	0.544	1.214	90.78	3.875	1.	1.367	833.3	0.759	24.83
H Fl.	0.265	0.398	0.888	66.40	2.835	0.731	1.	609.5	0.555	18.16
Lira	0.434	0.653	1.457	108.9	4.651	1.200	1.641	1000.	0.911	29.80
C $	0.476	0.717	1.600	119.6	5.105	1.317	1.801	1098.	1.	32.71
B Fr.	1.457	2.191	4.891	365.6	15.61	4.028	5.506	3356.	3.058	100

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

June 18	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	10⅛-10⅜	10⅞-10⅛	10-10⅛	9¾-9⅞	9⅝-9⅞	9⅝-9⅞
U.S. Dollar	6⅞-7	6⅞-7⅛	6⅞-7⅛	6⅞-7	6⅞-7	7-7⅛
Can Dollar	8¼-8¾	8½-8¾	8⅜-8⅝	8½-8¾	8⅝-8⅞	8¾-9
D Guilder	6½-6¾	6⅜-6⅝	6⅛-6¼	5⅞-6⅛	5⅞-5⅞	5⅝-5¾
Sw. Franc.	1-1¼	1¼-1⅛	5⅛-5⅜	5⅛-5⅞	5.5⅛	4⅞-5
Deutschmrk.	4⅛-4⅜	4½-4⅝	4½-4⅝	4½-4⅝	4⅝-4⅞	4⅝-4¾
Fr. Franc	7-7⅛	7-7⅛	7⅛-7⅜	7⅛-7⅜	7¼-7⅜	7⅜-7½
Italian Lire	10½-12	11-12½	11½-12¼	11⅝-11⅞	11⅝-11¾	11⅛-11⅝
B.Fr.(Fin)	7-7¼	7⅛-7⅜	7⅛-7⅜	7⅛-7⅜	7¼-7½	7¼-7½
B.Fr.(Con)	7-7¼	7⅛-7⅜	7-7½	7-7⅛	7⅛-7⅜	7¼-7¾
Yen	4⅛-5	4⅛ 5	4⅞-4⅞	4¾-4⅛	4⅛-4¾	4⅛-4¾
D. Krone	8⅝ 9⅛	8⅝-8⅞	8½ 9	8⅝-8⅞	8⅝-8⅞	8½-9
Asian $ Sng	6⅛-7⅛	6⅛-7⅛	6⅞-7⅛	6⅞-7	6⅞-7	7-7⅛

Long-term Eurodollars: two years 7½-7¾ per cent; three years 8⅛-8⅜ per cent; four years 8¼-8½ per cent; five years 8½-8¾ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen: others, two days' notice.

CURRENCY MOVEMENTS

June 19	Bank of England Index	Morgan Guaranty Change %
Sterling	75.6	−15.6
U.S. dollar	115.9	+6.5
Canadian dollar	78.2	−12.7
Austrian schilling	125.9	+7.1
Belgian franc	95.2	−7.4
Danish Kroner	85.6	−1.3
Deutsche mark	134.9	+14.7
Swiss franc	159.1	+7.2
Guilder	124.9	+9.5
French franc	68.9	−15.6
Lire	45.2	−17.9
Yen	206.3	+51.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

June 19	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.773986	0.639274
US $	6½	1.16632	0.963066
Canadian $	8.79	*	1.34126
Austria Sch	4	18.2592	15.0913
Belgian Fr	8	5.1375	43.9062
Danish Kr	7	9.65538	7.97275
D'mark	3½	2.59914	2.14716
Guilder	4½	2.92806	2.41816
French Fr	9½	8.30303	6.85703
Lira	12	1782.95(1)	1474.45
Yen	3½	194.669	160.717
Norway Kr.	8	8.87103	7.32268
Span'h Pta.	—	165.56	137.674
Swedish Kr	8	8.40625	6.93408
Swiss Fr	4	5.14570	1.77012
Greek Drch	20½	n.a.	135.552
Irish Punt	—	0.854018(1)	0.708398

* C$/SDR rate for June 18: 1.62331; (1): SDR Rate for June 18.

OTHER CURRENCIES

June 19	£	$
Arg'tina	1.3080-1.3105	0.8700-0.8710
Aus'alia	2.1660-2.1695	1.4410-1.4425
Brazil	20.70-20.85	13.77-13.84
Finland	7.7865-7.8000	5.1770-5.1800
Greece	209.58-214.25	139.09-142.10
H'kong	11.7080-11.7180	7.1175-7.1225
Iran	119.00*	79.00*
Kuwait	0.4415-0.4425	0.29390-0.29460
Lux'burg	68.60-68.70	45.60-45.70
Malaysia	3.9430-3.9505	2.6255-2.6265
N'Z'land	2.8260-2.8355	1.8795-1.8850
Saudi Ar.	5.6385-5.6445	3.7505-3.7515
Sin'pore	3.3410-3.3475	2.2225-2.2245
S Af. (Cm)	3.6565-3.5840	2.4345-2.4300
S.Af. (Fn)	6.0780-6.3340	4.0405-4.2105
U.A.E	5.5205-5.5275	3.6720-3.6740

* Selling rate

Correction for June 18, Finland $: 5.1980-5.1990.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 19
Belgian Franc	43.6761	43.9062
Danish Krone	7.91896	7.97275
German D-mark	2.13834	2.14716
French Franc	6.96280	6.85703
Dutch Guilder	2.40935	2.41816
Irish Punt	0.712956	0.708398
Italian Lira	1496.21	1474.45

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Prices fall

MONEY MARKETS

London rates slightly firmer

Interest rates had a slightly firmer tone on the London money marekt yesterday, but there were no new factors. Trading was very quiet, and although dealers remained reasonably optimistic ...

repayment of late assistance and a take-up of Treasury bills drained £386m, with Exchequer transactions absorbing £75m; a rise in the note circulation £5m, and bank balances below target ...

result in a temporary rise in call money, until the authorities pay the funds back into the system. The German Bundesbank held its regular council meeting in Stuttgart yesterday, and as expected ...

STERLING INDEX

FT LONDON INTERBANK FIXING

LONDON MONEY RATES

NEW YORK RATES

MONEY RATES

CHICAGO

LONDON

CURRENCY FUTURES

$WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102	100½	Exch. 14pc 1986	101	..	13.80	9.61
98	94	Exch. 2½pc 1986	98	−	2.55	6.25
102	100	Exch 13¼pc 1987	102 xd	−	12.97	9.37
100	97	Treas 10¼pcCv '87	100½	−	10.21	9.36
97	92	Exch 2½pc 1987	97½	......	2.56	6.28
101	97½	Exch. 10½pc 1987	100	−	10.42	9.42
98	93	Funding 6½pc '85-87‡‡	98	...	6.63	8.68
101	96	Treas. 10pc 1987	100	−	9.94	9.32
97	90	Treas 3pc 1987	96 xd	..	3.10	6.27
104½	99	Treas. 12pc 1987	103	..	11.60	9.20
99	92	Treas 7¾pc 1985-88‡‡	98 xd	−¼	7.86	8.69
104	96	Exch 10½pc '88	102½	−	10.25	9.02
102	95	Treas 9¾pc Cv '88	101	−	9.64	9.08
94	86	Transport 3pc '78-88	93 xd	−	3.24	6.62
102	93	Treas. 9½pc '88	100	−	9.45	9.19
107	98	Treas 11½pc 1989	105	−	10.91	9.14
103	93	Treas 9½pc Cnv. '89	101¼	−	9.38	8.96
92	82	Treas 3pc 1989	91	−	3.30	6.42
105	95	Treas 10½pc 1989	103½	−	10.14	9.14
104	94	Exch. 10pc 1989	102	−¼	9.80	9.20
107	97	Exch 11pc 1989	105	−¼	10.46	9.10
93	84	Treas 5pc 1986-89	92	....	5.39	7.50
110	94	Exch 10¼pcCv '89	105¼	−	9.73	8.42
114	103	Treas 13pc 1990‡‡	111 xd	−	11.63	9.05
108	97	Exch 11pc 1990‡‡	105	−¼	10.40	9.08
113	101	Exch. 12½pc 1990	110	−	11.29	9.04
89	79	Treas. 3pc 1990	89	−	3.39	6.21
100	89	Treas 8¼pc 1987-90‡‡	98	−	8.36	8.63
106	93	Treas. 10pcCv 1990	103	−	9.66	8.98
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
160	82	Midland Marts	153		4.0	2.1	3.7	18.3
78½	61	Mitchell Cotts	66	−1	4.25	1.5	9.1	(9.3)
109	81	Monks & Crane 10p	108		2.7	2.9	3.6	13.0
317	210	Morgan Crucible	313		8.5	1.7	3.8	19.6
23½	15½	Morris (W. F.) 20p	20		—	—	—	—
139	96	Moss (Robt.) 10p	126		3.7	2.7	3.7	13.6
120	65	Myson Grp 10p	120		2.63	2.6	3.1	15.5
365	259	NMW Computers	315		6.0	3.0	1.0	18.1
40	27	Nash Inds.	37		0.5	—	1.9	—
27½	15½	Neil & Spencer 10p	21		—	—	—	—
38	28	Newman Inds. 10p	37		0.8	1.2	3.1	(35.6)
65	47	Nolton	51	+1	0.95	7.0	2.6	7.3
134	96	Norank Systems 5p	134	+2	3.0	♦	3.2	♦
272	187	Norcros	271	+2	9.3	♦	5.0	♦
114	49	Nu-Swift 5p	108	+2	3.5	2.1	4.6	14.5
£303	£238	OCE 9pc Cnv 1987-92	£303		09%	—	13.5	—
118	80	Oakwood Grp	110		5.0	1.3	6.4	15.3
250	203	Office & Elect.	238		8.5	2.9	5.0	9.7
102	70	Ostacre 20p	87		4.0	2.6	6.5	7.7
36	24	Oonumetrics $0.01	24		0.2c	2.1	6.5	8.0
765	500	Oxdiane £1	760		24.5	2.1	4.5	14.8
10	7	Ownstone 12½c	7		0.3	1.9	12.1	4.4
		For Ozalid 9pc Cnv see OCE 9pc Cnv						
142	85	PCT Grp 10p	132		3.2	1.2	5.0	(32.5)
£201½	950	PLM 'B' Sk 25	£134		023.2%	0.3	4.3	—
184	114	PSM Intl	178		5.5	2.1	4.4	13.6
255	167	Paper Systems $0.01	200			3.4	1.3	22.3
78	56	Pacific Sales 10p	64		3.0	2.1	6.6	8.4
342	225	Park Place 10p	330		6.25	1.9	2.7	27.7
445	246	Parker Knoll 'A'	445	+5	9.5	2.9	3.0	16.2
525	208	Parkfield Group 5p	485	−10	2.4	2.4	0.7	81.1
53	30	Pavion Intl	37		—	—	—	♦
£130	£92	Do 11pc CvLn '94-02	£103		011%	—	11.0	—
527	393	Pearson	518	−3	10.0	2.8	2.8	17.0
26	12	Peek Holdings 7p	24		—	—	—	—
130	88	Peerless	123		6.3	—	7.2	—

LEISURE—Continued

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
115	58	Leisuretime Int 10p	100		2.3	♦	3.3	
117	100	Lowmar	105		2.63	3.0	3.5	
220	145	Media Tech Int 20p	163	+13	2.58	5.4	2.2	
175	140	Micromaster 10p	140		5.35	2.7	5.4	
220	130	Miss World 10p	220		5.2	3.3	3.5	
90	62	Nationwide Leisure	86		3.75	♦	6.1	
17	10	Norvic Int 20p	13		—	—	—	
34½	23	Owners Abroad 5p	31½		1.5	♦	6.7	
90	46	Photax (Lon.)	75		—	—	—	
34	28½	Piccadilly Radio NV 5p	29		2.0	1.2	10.0	
80	57	Pineapple Dnc St 10p	72		—	—	—	
391	280	Pleasurama 5p	298		7.5	3.2	3.5	
178	136	Do 7pcCvCmRedPf	140		7%	—	7.0	
		For Pres Entertainment see Hotels						
43	18	Radio City 'A' NV	30		—	—	—	
48	33	Radio Clyde N/V	42		3.25	0.9	10.9	
380	322	Really Useful Grp 5p	380	+10	11.25	2.2	4.2	
64	44	Riley Leisure 10p	46	+2	—	—	—	
230	165	Saga Hols 20p	170		4.6	2.6	3.8	
355	255	Samuelson Grp 20p	285		2.4	6.0	1.2	
123	73	Sangers Photo 10p	105xd	−1	2.2	♦	3.0	
178	142	Scantro 50p	148xd	−2	4.0	3.5	3.8	
332	175	Scot TV 10p	332	+4	10.5	3.0	4.5	
294	114	SeaCo Inc $0.125	224	−8	—	—	—	
26	7	Select TV 10p	17		—	—	—	
57	20	Spectrum 5p	21	−1	1.20	4.8	‡	
43	31	TSW 5p	43	+2½	1.7	2.4	5.6	
240	150	TVS N-Vtg 10p	240	+10	8.0	2.5	4.7	
188	118	Television Svcs 50p	118	−2	2.0	1.6	2.4	
72	50	Tottenham Hotspur	71		4.0	—	‡	
96	66	Trident 10p	80xd		1.1	3.3	1.9	
260	140	Tyne Tees TV 'A' £1	256	+10	10.5	♦	5.8	
130	104	Ulster TV N/V 'A'	130		5.25	2.6	5.7	
100	63	Wiewolan 5p	85		1.26	—	2.1	
198	118	WSL 5p	188		—	—	—	
28	17½	Webb (Jos.) 5p	23		0.5	0.7	3.1	

NOTES

payment. ‡ Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	118	
Craig & Rose £1	£33	
Finlay Pkg 5p	43	
Holt (Jos) 25p	810	
IoM Stm. £1	87	

IRISH

Fund 11¼% 1988	£103¼	
Nat 9¾% 84/89	£101¼	+¼
Fin 13% 97/02	£121¾	+½
Arnotts	322	+2
CPI Hldgs	45	
Carroll Inds	145	−5
Dublin Gas	53	
Hall (R. & H.)	75	+1
Heiton Hldgs	29	−2
Irish Ropes	105	−5
Unidare	190	

"Recent Issues" and "Rights" Page 39 (International Edition Page 35)

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 2	June 12	June 13	June 23
June 16	June 26	June 27	July 7
June 30	July 10	July 11	July 21

* "New-time" dealings may take place from 9.30 am two business days earlier.

Equity rise continues and index ends at highest level for six weeks

Reassuring comment on UK institutional liquidity removed any lingering doubts over the London equity market's ability to cope with further fund-raising exercises yesterday. **De La Rue** announced a near-£65m cash call, via a rights issue, shortly after the opening but the market took the news in its stride and leading shares extended their rise to six days in a row.

The overnight Wall Street performance — the Dow Jones index regained an early 13-point loss to close marginally higher — gave dealers initial cause to mark higher a range of US favourites. Other international stocks were helped by currency influences and a bright overall picture was completed when institutional investors showed renewed interest to obtain stock. The April movement in UK industrial production was another comforting factor.

For the first hour or so business was fairly brisk but before midday a continuation of the fine weather turned thoughts to Royal Ascot and elsewhere. Later in the session profit-taking on the back of an easier Wall Street opening threatened to bring prices back from the highest levels. The sales were soon absorbed, some by dealers grateful to balance short book positions; and the FT indices settled only a shade below the best. The FT Ordinary share index gained 9.9 more to 1350.0 for a gain of 48.9 since Thursday week.

Government securities made a half-hearted early attempt to rally from the low levels but the movement soon lost impetus. With fresh official funding expected at any time, potential buyers seemed prepared to withhold their funds and prices once again ended the day lower. A slight hardening in commercial money market rates also put investors off. President Reagan's comments on the current level of American interest rates made little impact on late sentiment and longer-dated issues ended with falls stretching to ⅜, earlier selected Gilts had been that much higher.

NatWest good again

Buying on hopes of a successful rights issue and, in the wake of a recent Press report that UK clearing banks may soon be able to use redeemable preference shares as primary capital, helped **NatWest** feature again. The old shares rose 13 to 508p and the new **nil-paid** shares a similar amount to 303p premium. **Lloyds** firmed 4 at 362p, while **Barclays**, at 495p, and **Midland**, at 532p, hardened 2 apiece. Merchant banks also performed well with investors here looking forward to the forthcoming flotation of Morgan Grenfell. **Mercury International** advanced 25 more at 755p, while **Schroders** jumped 43 to 818p and **Kleinwort Benson** firmed 15 at 780p. **Brown Shipley**, on the other hand, relinquished 5 to 615p following the disappointing annual figures.

Further consideration of the current boom in endowment mortgage business induced renewed support for Life Insurances. **Prudential** jumped 20 to 832p on news of the rights issue success. **Legal and General** appreciated 13 at 270p, after 280p. **Sun Life**, recently favoured on talk of a possible bid from Liberty Life, added 7 at 839p, while **London and Manchester** closed the same amount better at 200p. Elsewhere, **Dewey Warren** jumped 12 to 130p, after 133p, on the surprise announcement that the company had received a bid approach from **C. E. Heath**, 6 lower at at 587p. Among Composites, **General Accident** gained 8 at 810p and **Royals** put on 7 at 867p.

Tenby Industries, the former wholly-owned electrical accessories and engineering subsidiary of BSR, fetched a premium in first-time dealings. The shares opened at 116p, compared with the offer-for-sale price of 112p, and moved up to close at 121p; BSR has retained a 40 per cent stake in the group. The two latest debutants to the Unlisted Securities Market fared indifferently. **Campbell and Armstrong** moved up late to 115p, against the placing price of 110p, but **Soundtrac** closed showing a small discount on its placing level of 40p.

Leading Breweries, again buoyed by the current warm weather, displayed useful gains across the board. **Bass** improved 6 to 788p, while **Allied-Lyons**, additionally aided by the latest news regarding the proposed purchase of Hiram Walker's wine and spirit operation, put on 4 to 345p, after 348p. Publicity given to a broker's lunch lifted **Guinness** 4 more to 320p, while **Scottish and Newcastle**, scheduled to announce full-year figures on July 1, closed a similar amount dearer at 211p. Regionals were also in demand with **Wolverhampton and Dudley** 10 up at 535p and **Greene King** another 3 better at 220p.

Buildings staged a broad advance led by **Costain**, 10 higher at 550p, and **Tarmac**, 8 better at 458p. **J. Jarvis** continued their recent good run and put on a further 10 to 420p reflecting vague takeover speculation and a shock shortage. **Helical Bar**, a firm market of late following favourable Press comment, moved up 6 more to a 1986 high of 234p, while bid favourite **Manders** added 11 at 278p.

Preliminary results from **Allied Colloids** were given a good reception and the shares advanced 13 to 203p, after 205p. Elsewhere in Chemicals, **Laporte** rose 7 to 355p and **Yorkshire** 3 to 138p.

Woolworth lose ground

Retailers again closed a shade firmer for choice. **W. H. Smith A** rose 8 to 284p, largely reflecting the efforts of a single buyer, while **Burton**, still responding to a broker's "buy" circular, added a couple of pence more to 286p, after 290p. **Woolworth**, on the other hand, dipped 20 to 755p following the publication of the second defence document to the bid from **Dixons**, 6 cheaper at 334p. Secondary Stores were irregular. **A. J. Gelfer**, 12 up at 150p, continued to improve in the wake of the bid approach, while **Warehouse**, in receipt of the widely-anticipated offer from **Freemans**, closed 2 points up at £15; Freemans rose 6 to 392p. Elsewhere in Mail-orders, **Grattan**, the subject of a "buy" recommendation from brokers de Zoete and Bevan, improved 4 to 402p. **Wigfalls**, a dull market recently, rallied 8 to 130p, after 135p, following the annual profits recovery, while a newsletter "buy" signal lifted **S and U Stores** 5 to 44p. Recovery hopes in the wake of the annual results, highlighted by brokers' bullish notices, lifted **Goldsmith** 10 to 228p.

British Telecom touched 238p following the announcement of preliminary figures in line with market expectations before closing a couple of pence firmer on balance at 234p. Among the other Electrical leaders, **Thorn EMI**, still reflecting the Thames TV flotation, put on 10 more to 271p, while **Racal**, awaiting next Monday's annual statement, improved to 206p before falling back to close only 4 up on the day at 200p. Elsewhere, **Rotaflex**, the subject of an unwelcome bid from Emess Lighting, closed 13 up at 388p, after 393p, on the profits forecast. **Grosvenor Group**, on the other hand, fell 10 to 120p following news that discussions with a private group had been terminated. Profit-taking left **Thermal Scientific** down 10 at 520p and **Wordplex** 6 lower at 60p. Still reflecting the preliminary figures, **Apricot** eased 3 more to 54p for a three-day loss of 26.

Movements in the Engineering leaders were limited to a few pence either way. Elsewhere, **Baker Perkins** dipped 14 to 280p on the disappointing preliminary statement, while the uninspiring interim results left **Arthur Lee** 5 cheaper at 71p, after 67p. News of the increased and final offer from **Evered** prompted a rise of 3 to 265p, after 276p, in **McKechnie**; Evered fell 12 to 280p. **Pegler Hattersley** reacted 15 to 639p in sympathy with a fall of 8 to 315p in **F. H. Tomkins**. In contrast, **Laird** continued to attract occasional buying interest and put on 6 more to 278p, but **Chemring**, scheduled to announce interim figures next Thursday, remained on offer and fell another 10 to 570p.

Investors in the Foods sector again showed a preference towards retailers. **J. Sainsbury** were prominent for a fresh gain of 10 at 382p, while **Tesco** advanced 8 at 375p. **Kwik Save** put on 10 to 333p and improvements of 6 were seen in **Fitch Lovell**, 273p, and **Northern Foods**, 252p. **Callens**, which announced disappointing annual results on Tuesday, rallied 5 at 340p, lost 15 of the previous day's speculative rise of 50.

Johnson Matthey up

The preliminary figures from **Johnson Matthey** were well received and the shares moved ahead to close around the day's best with a rise of 17 at 205p. **De La Rue**, in contrast, fell ½ to £10¼ on the proposed £64.9m rights issue, while **RFD** lost 5 to 202p on news that talks with a third party had been terminated. **BET**, still benefiting from the Thames TV flotation, advanced 13 more to 412p, but profit-taking clipped 15 from **Bodycote**, at 315p and 10 from **Parkfield**, at 485p. Buying interest revived in **Pentland**, which put on 35 to 885p, while other good spots included **Halma**, 16 higher at 273p, **Spring Ram**, 17 dearer at 217p, and **Scott Greenham**, 16 better at 126p. Speculative demand prompted a rise of 13 to 104p in **Marshalls (Loxley)**, while **Wolsely Hughes** gained 20 to 540p in a limited market. Satisfactory preliminary figures left **London International** 5 better at 210p. Fresh support prompted a further gain of 8 to 290p in **Dalgety**, but **Scapa** closed a couple of pence cheaper at 468p, after 475p, following the annual results and proposed one-for-one scrip issue.

Television issues made progress, helped by **Anglia's** excellent interim figures and ahead of the forthcoming Thames flotation. Anglia added 3 more making a two-day jump of 38 at 258p, while **LWT** rose 7 at 367p and **Tyne Tees "A"** appreciated 10 at 255p. Elsewhere, **Lee International** continued firmly at 180p, up 4, and improvements of 6 and 10 respectively were seen in **First Leisure**, 362p, and **Really Useful**, 380p.

Jaguar responded to revived support, much of which emanated from the US, and touched a new peak of 535p before settling 8 up on the session and 30 better so far this week at 533p.

Paper Printings were again lively, but usually finished below the day's best levels. **DRG**, recently stimulated by favourable Press comment and acquisition news touched a new peak of 314p, but later settled only 2 dearer on balance at 306p. **British Printing and Communication**, sharply higher on Wednesday in response to the chairman's statement at the annual meeting, reacted to occasional profit-taking and closed 6 off at 286p. **John Waddington**, on the other hand, met revived demand in the wake of the excellent annual results and proposed 400 per cent scrip issue and put on 35 more to 885p, after 900p. Buyers also displayed fresh interest in **Delyn Packaging**, 9 up for a gain of 27 so far this week at 137p. Advertising agencies made renewed progress under the lead of **Boase Massimi Pollitt**, finally 19 dearer at 297p following the annual meeting. **Moss Advertising**, depressed earlier in the week following the *disappointing interim figures*, rallied 10 to 80p on recovery hopes.

Abaco Investments continued to draw strength from Tuesday's announcement of the acquisition of Toplic and Harding, one of the world's leading loss adjusting groups, and touched a new peak of 70p before closing a further penny dearer making a gain so far on the week of 17 at 68p. Elsewhere in Properties, **Slough Estates** moved up 6 to 181p in response to speculative buying, while **Priest Marians** added 1½ points to £22. Recent speculative favourite **Egerton Trust**, however, met with profit-taking and fell 14 to 100p. **Mountview Estates** declined 20 more at 730p on further consideration of the results, while **British Land** receded 4 at 178p for the same reason.

Recently firm Textiles received a fillip in early trading from better-than-anticipated preliminary figures from **Dawson International**, finally 12 up at 258p. The news stimulated revived demand throughout the sector with **Courtaulds**, additionally helped by favourable comment, rising 11 to 280p, after 282p. **Coats Viyella** improved 12 to 520p, while **Tootal** hardened 1½ to 101p. Revived speculative interest was evident for **Hugh Mackay**, 6 up at 101p, and **Bulmer and Lumb**, another 4 up at 100p, but bearish newsletter comment again unsettled **Sekers International** which shed 5 for a two-day decline of 12 to 118p.

Burmah advance

The oil majors continued to move in a narrow range and closed with minor alterations in either direction. **Burmah**, however, made renewed progress and advanced 10 more to a 1986 high of 382p reflecting the company's recent moves away from oil and gas exploration and into the chemicals business.

Second-liners included a handful of firm stocks, notably **Clyde Petroleum**, 4 up at 38p and **Silkolene** which edged up 5 to 150p. Recently buoyant **Conroy Petroleum and Natural Resources** attracted a flurry of profit-taking which saw the shares retreat 15 to 120p. **Century Oils**, meanwhile, eased a few pence to 128p as recent bid hopes faded.

The rally in mining markets that accompanied the news blackout from South Africa during the anniversary of the 1976 Soweto riots was brought to a halt following news that the US House of Representatives voted to impose the harshest possible economic sanctions on the Republic. The moves, which would include a total US trade embargo on South Africa, ended the spate of bear closing in gold and related issues and prompted a sharp decline in the financial Rand which fell to around 23 cents from Wednesday's level of around 24 cents. Selling pressure in share markets was reported as negligible but the general lack of support saw prices retreat throughout the session and close at the day's lowest levels. The Gold Mines index fell 4.2 to 216.7 — its first decline for five trading days. A firm showing by the bullion price, which hardened 75 cents to $340, had little impact on sentiment.

The easier Rand also prompted widespread weakness in South African Financials where **De Beers** came under pressure and fell 12 to 432p and "**Amgold**" retreated £1½ to £38½. Profit-taking was in evidence in Platinums which have recently held up well on fears of a shortage of platinum in the event of the curtailment of exports of South African supplies. **Rustenburg** dropped 10 to 560p and **Impala** eased 5 to 550p.

Australian Golds benefited from the decline in South African Golds. **Central Norseman** jumped 10 to 365p, **Sons of Gwalia** rose 6 to 193p and **Australian Consolidated Minerals** edged up 3 to 94p. Leading "down-under" stocks showed **CRA** 6 to the good at 292p and **MIM** 3 up at 100p.

Traded Options

The sixth successive advance in London equities again failed to inspire Traded Option operators. Total contracts transacted amounted to only 13,484 —9,963 calls and 3,521 puts. **Hanson Trust**, however, attracted a fair measure of attention with 1,489 calls done.

FINANCIAL TIMES STOCK INDICES

S.E. ACTIVITY	
Gilt Edged Bargains	136.3 / 144.6
Equity Bargains	158.2 / 158.7
Equity Value	1,119.3 / 1,110.5

2 p.m.	3 p.m.	4 p.m.
1350.0	1349.4	1350.3

Mines 12/9/55, SE Activity 1974 *Nil=11.92.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Thursday June 19 1986

FIXED INTEREST

EUROPEAN OPTIONS EXCHANGE

TRADITIONAL OPTIONS

YESTERDAY'S ACTIVE STOCKS

WEDNESDAY'S ACTIVE STOCKS

RISES AND FALLS YESTERDAY

LONDON TRADED OPTIONS

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (116)

AMERICANS (6), BANKS (3), BREWERS (3), BUILDINGS (7), CHEMICALS (3), STORES (5), ELECTRICALS (8), ENGINEERING (5), FOODS (3), HOTELS (1), INDUSTRIALS (17), INSURANCE (2),

NEW LOWS (13)

BRITISH FUNDS (3) Conversion 10pc 1996, Conversion 9¾pc 2006, Treas. 8pc 2009 (£50 pd), AMERICANS (3) Allied Signal, Damson Oil, Fin. Corp. America, ELECTRICALS (3) PPL,

BASE LENDING RATES

WORLD STOCK MARKETS

AUSTRIA

June 19	Price Sch.	+ or —
Credit'nst'lt. pp.	2,375	+5
Goesser	5,470	+10
Interunfall	14,500	......
Jungbunzlauer	19,500	+100
Laenderbank	2,870	+20
Perlmooser	660	+5
Steyr Daimler	161	
Veitscher Mag	10,090	—10

BELGIUM/LUXEMBOURG

June 19	Price Frs.	+ or —
B.B.L.	3,050	+25
Banq. Gen. Lux	15,600	......
Banq. Int.A.Lux.	16,000	......
Bekaert	11,100	+100
Ciment CBR	3,550	+105
Cockerill	140	......
Delhaize	15,800	......
EBES	4,470	+120
Electrobel	15,100	+475
Fabrique Nat	2,290	+40
GB Inno BM	7,010	—10
GBL (Brux)	3,270	+155
Generale Bank	5,870	+30
Gevaert	5,780	......
Hoboken	7,150	—40
Intercom	3,600	+175
Kredietbank	16,500	—100
Pan Hldgs	11,500	......
Petrofina	8,070	+50
Royale Belge	24,250	+250
Soc. Gen. Belge	2,845	+25
Sofina	9,810	+60
Solvay	7,920	—60
Stanwick Intl	450	......
Tractionel	5,410	......
UCB	7,610	—80
Wagons Lits	5,170	+60

DENMARK

June 19	Price Knr %	+ or —
Andelsbanken	319	—9
Baltica Skand	635	—5

GERMANY

June 19	Price Dm.	+ or —
AEG	318.5	—7
Allianz Vers	2,420	—95
BASF	289.5	—4.5
Bayer	315.2	—12.6
Bayer-Hypo	567	—27.5
Bayer-Verein	545	—20
BHF.Bank	512	—5
BMW	603	—1
Brown Boveri	305	+2
Commerzbank	315	—6.2
Cont'l. Gummi	276	—4.5
Daimler-Benz	1,382	—30
Degussa	443	—4
D'sche Babcock	197	—6
Deutsche Bank	790.5	—18.5
Dresdner Bank	422.5	—14.0
Feld-Muehle Nbl	296.5	—10.5
GHH	242	......
Henkel	419.5	+6.5
Hochtief	1050	......
Hoechst	269.5	—6.0
Hoesch Werke	161.5	+0.5
Holzmann (P)	545	......
Horten	190	+1
Hussel	521	+0.5
Karstadt	554	+5
Kaufhof	463	—1.2
KHD	228	—7
Kloeckner	58.2	—0.5
Linde	700	—5
Lufthansa	206.5	—1.5
MAN	233.5	—13.0
Mannesmann	214.5	+4
Mercedes Hld	1,252	—11
Metallgesell	303	—11
Muench Rueck	3,240	......
Nixdorf	585	—5
Porsche	1,040	—7
Preussag	201.5	......
RheinWest Elect	225	—3
Rosenthal	344	—1
Schering	588	—10
Siemens	640	—12.7
Thyssen	165	......
Varta	348	—10.5
Veba	288.5	—5.5
V.E.W.	169	......
Verein-West	513	......
Volkswagen	554.9	—8.1

NORWAY

SPAIN

SWEDEN

ITALY

NETHERLANDS

SWITZERLAND

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

JAPAN

SINGAPORE

SOUTH AFRICA

JAPAN (continued)

CANADA

TORONTO
Prices at 2.30pm June 19

MONTREAL
Closing prices June 18

NEW YORK—DOW JONES

Indices

TORONTO	June 19	June 18	June 17	June 16	1986 High	1986 Low
Metals & Minls	2,130.7*	2,151.4	2,158.7	2,183.8	2,442.86 (21/3)	2,025.3 (21/5)
Composite	3,083.3*	3,068.6	3,066.8	3,072.2	3,129.11 (18/4)	2,754.0 (17/2)
MONTREAL Portfolio	1,560.86*	1,553.71	1,563.26	1,558.61	1,623.33 (18/4)	1,388.6 (22/1)

* Indicates pre-close figure

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 45

LONDON Chief price changes
(in pence unless otherwise indicated)

RISES

Allied Colloids	203	+13
Boase Mass Poll	297	+19
Burmah Oil	382	+10
Courtaulds	280	+11
Dawson Intl	258	+12
Dewey Warren	130	+12
Gelfer (A.J.)	150	+12
Halma	273	+16
Johnson Matt	205	+17
Legal & General	270	+13
Mackay (Hugh)	101	+6
Manders	278	+11
Marshall (T.)	104	+13
Mercury Intl.	755	+25
NatWest Bank	508	+13
Prudential	832	+20
S and U Stores	44	+5
Sainsbury (J.)	382	+10
Waddington (J.)	885	+35
Warehouse	£15	+2

FALLS

Tr. 13½% 04–08	£134	—⅜
Baker Perkins	280	—14
Conroy Pet NR	120	—15
De La Rue	£10¼	—½
Egerton Trust	100	—14
Evered	280	—12
Grosvenor Group	120	—10
Woolworth	755	—20

Prices at 3pm, June 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from Page 44

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
72¼	45¾	Xerox	3	5.4	13	2751	56¼	54⅞	56	+⅞
58¼	53¼	Xerox pf6.45		9.8		1455	55½	55¼	55½	+¼
28¾	20⅝	XTRA	.64	2.7		112	23⅞	23⅝	23⅞	+⅛
17⅝	13½	Yorkin n				159	16⅞	16½	16¾	−⅜
38	26¼	ZaleCp	1.32	3.6		33	36¾	36½	36½	−¼
10¾	3⅝	Zapata	.05j			79	4¼	4⅛	4¼	+⅛
84½	47¾	Zayre	.64	.8	26	803	84¼	83¼	84	−¼
42½	23⅞	Zayre wi				5	42½	42¼	42½	+⅝
29⅞	16¼	ZenithE				2263	24⅞	24¼	24¼	−¾
18¼	8⅝	ZenLb s			22	1843	17¼	16⅛	17	+¾
22⅝	14	Zero s	.29	1.6	18	14	18⅝	18⅛	18¼	−⅛
45¾	32¼	Zurnin	1.32	3.6	13	113	37	36½	37	+¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week; but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, June 19

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Combination of factors unsettles

UNCERTAINTY over the economy and the policies of the Federal Reserve, together with nervousness in the futures and options markets, kept Wall Street stocks subdued yesterday, *writes Terry Byland in New York.*

But blue chips edged higher after a dull start, brushing aside softness in the bond market.

By 3pm the Dow Jones industrial average was up 5.10 at 1,874.04.

Today marks the last trading day for June contracts on the major market indices, index options and also stock options. The combination promises lively activity in the final hour of Friday's session, as traders close out heavy positions in index options, and protect themselves by trading the underlying stocks.

Turnover in the stock market remained moderate as investors backed away, but a sign of underlying confidence came from the calm reception accorded to a warning on the outlook from the IBM boardroom.

Mr John Akers, IBM chairman, said the second quarter looked sluggish but saw encouraging signs for 1987. Stock in IBM rallied after opening lower, to edge forward $¼ to $146⅝.

Stocks also resisted the effects of half point losses in bond prices. US personal consumption statistics for May showed a surprisingly good 0.9 per cent increase, suggesting stronger growth than some other federal data.

But more directly upsetting for Wall Street was a report in a Washington newspaper that a majority of governors of the Federal Reserve were currently resisting pressure for another cut in the discount rate.

This was disappointing for the bond market which, aware of generous market intervention by the Fed in recent weeks, has hoped for an early easing in Fed policy, perhaps including a discount-rate reduction.

IBM's successful rally put heart into the technology sector, which has been dragging the market back this week. Digital Equipment, still one of Big Blue's nearest competitors, added $⅞ to $84¾. Burroughs, now merging with Sperry to give IBM, a significant rival, gained $¼ to $61, and NCR, $⅛ off at $51⅞, and Honeywell, $⅞ off at $75, were above their lows.

The Dow transportation average, seen by some analysts as a significant guide to overall trends, fell as both airline and rail stocks gave ground. Pan Am managed to edge forward $⅛ to $6, however.

Upjohn, with the federal authorities now critical of some company publicity for its anti-baldness drug, tumbled a further $2⅜ to $94⅞. The rest of the pharmaceutical sector traded steadily, Pfizer adding $⅛ to $68⅝ and Merck $¾ better at $103.

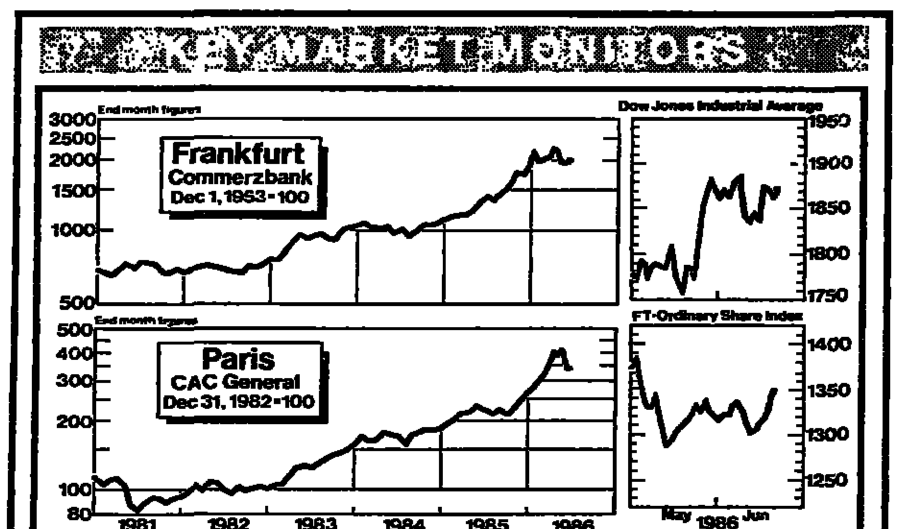
In a surprise move, Dart & Kraft Industries, the food and consumer products group, said it would split into two new companies by means of a stock division. At $60⅝ Dart stock jumped $3½.

Chromalloy American gained $2⅞ to $24⅞ as discussion opened on a possible merger into Sun Chemical.

NL Industries, heavily traded this week, settled $⅛ up at $14¾ after disclosing that the chairman of Amalgamated Sugar wants to negotiate a merger at $15 a share. Safeway Stores, fighting against a potential takeover by Dart group, eased $1 to $48⅞.

Bond prices began to slide away at midsession as the market showed disappointment with the reports of Fed opposition to a discount-rate cut. However, Treasury bond futures rallied after dipping sharply, and retail interest in bonds themselves remained light. Short-term rates edged higher.

KEY MARKET MONITORS



STOCK MARKET INDICES

	June 19	Previous	Year ago
NEW YORK			
DJ Industrials	1,874.04*	1,868.94	1,297.38
DJ Transport	778.63*	781.63	639.28
DJ Utilities	188.74*	189.17	164.55
S&P Composite	245.75*	244.99	188.63
LONDON			
FT Ord	1,350.0	1,340.1	974.1
FT-SE 100	1,629.6	1,619.0	1,284.1
FT-A All-share	803.21	797.9	621.05
FT-A 500	886.54	881.03	673.83
FT Gold mines	216.7	220.9	452.3
FT-A Long gilt	9.46	9.46	10.52
TOKYO			
Nikkei	17,277.59	17,177.07	12,773.6
Tokyo SE	1,333.50	1,329.12	1,018.85
AUSTRALIA			
All Ord.	1,210.8	1,200.5	851.3
Metals & Mins.	527.5	522.0	513.3
AUSTRIA			
Credit Aktien	116.23	116.0	104.67
BELGIUM			
Belgian SE	3,594.89	3,546.33	2,333.51
CANADA			
Toronto			
Metals & Minls	2,130.7*	2,151.4	1,887
Composite	3,063.3*	3,066.6	2,703.7
Montreal			
Portfolio	1,550.86*	1,553.71*	132.48
DENMARK			
SE	215.03	219.85	193.12
FRANCE			
CAC Gen	342.20	344.60	223.3
Ind. Tendance	129.7	130.1	81.3
WEST GERMANY			
FAZ-Aktien	664.97	675.58	475.70
Commerzbank	2,001.90	2,030.60	1,405.3
HONG KONG			
Hang Seng	1,778.29	1,789.78	1,510.28
ITALY			
Banca Comm.	660.66	667.04	337.10
NETHERLANDS			
ANP-CBS Gen	290.20	290.40	210.1
ANP-CBS Ind	283.20	283.50	175.0
NORWAY			
Oslo SE	363.10	360.11	326.80
SINGAPORE			
Straits Times	753.00	746.68	782.36
SOUTH AFRICA			
JSE Golds	-	1,258.6	1,025.0
JSE Industrials	-	1,137.5	970.9
SPAIN			
Madrid SE	179.47	177.98	78.66
SWEDEN			
J & P	2,448.0	2,447.27	1,317.48
SWITZERLAND			
Swiss Bank Ind	569.1	565.20	434.4
WORLD	June 18	Prev	Year ago
MS Capital Int'l	320.6	320.8	212.8

COMMODITIES

(London)	June 19	Prev
Silver (spot fixing)	n/a	337.70p
Copper (cash)	£938.5	£950.5
Coffee (September)	£1,861	£1,857
Oil (Brent blend)	$11.75	$12.15

GOLD (per ounce)

	June 19	Prev
London	$339.50	$339.00
Zürich	$339.20	$339.00
Paris (fixing)	$339.80	$340.70
Luxembourg	$338.75	$338.50
New York (Aug)	$340.90	$340.50

* Indicates latest pre-close figure

CURRENCIES

(London)	US DOLLAR June 19	Previous	STERLING June 19	Previous
$	-	-	1.504	1.5005
DM	2.232	2.2405	3.3575	3.3625
Yen	166.85	167.6	251	251.5
FFr	7.125	7.145	10.715	10.72
SFr	1.839	1.850	2.765	2.775
Guilder	2.5135	2.522	3.7775	3.785
Lira	1,532	1,535.5	2,304	2,305
BFr	45.65	45.7	68.65	68.55
C$	1.3945	1.3915	2.0975	2.0905

INTEREST RATES

Euro-currencies (3-month offered rate)	June 19	Prev
£	9⅞	9¹³⁄₁₆
SFr	5⅛	5⅛
DM	4⁷⁄₁₆	4⅝
FFr	7⅝	7⁹⁄₁₆
FT London Interbank fixing (offered rate)		
3-month US$	7	7
6-month US$	7	7
US Fed Funds	6⁹⁄₁₆*	16⁵⁄₁₆
US 3-month CDs	6.10*	6.925
US 3-month T-bills	6.60*	6.25

US BONDS

Treasury

		June 19 Price	Yield	Prev Price	Yield
7¼	1988	99⁸⁄₃₂	7.102	100⁹⁄₃₂	7.015
7⅜	1993	98¹⁶⁄₃₂	7.634	99⁹⁄₃₂	7.50
7⅜	1996	97¹⁶⁄₃₂	7.67	98¹⁶⁄₃₂	7.573
7¼	2016	96¹⁸⁄₃₂	7.505	97²⁹⁄₃₂	7.44

Source: *Harris Trust Savings Bank*

Treasury Index

Maturity (years)	Return index	June 19* Day's change	Yield	Day's change
1–30	150.32	–0.51	7.69	+0.07
1–10	143.60	–0.31	7.50	+0.06
1– 3	135.62	–0.08	7.18	+0.04
3– 5	145.45	–0.31	7.70	+0.07
15–30	174.54	–1.20	8.31	+0.07

Source: *Merrill Lynch*

Corporate	June 19* Price	Yield	Prev Price	Yield
AT & T 3⅞ July 1990	89⅞	6.79	89⅝	6.815
SCBT South Central 10⅞ Jan 1993	105⅛	8.16	105⅛	8.16
Phibro-Sal 8 April 1996	97.2	8.45	97.2	8.45
TRW 8⅜ March 1996	101⅞	8.50	101⅞	8.5
Arco 9⅞ March 2016	103⅞	9.45	104	9.38
General Motors 8⅝ April 2016	90⅝	9.01	91⅞	8.93
Citicorp 9⅜ March 2016	96½	9.72	97½	9.62

Source: *Salomon Brothers*

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
June	96–12	96–28	96–01	97–10
US Treasury Bills (IMM) $1m points of 100%				
Sept	94.16	94.23	94.13	94.24
Certificates of Deposit (IMM) $1m points of 100%				
June	n/a	n/a	n/a	93.35
LONDON				
Three-month Eurodollar $1m points of 100%				
September	93.17	93.26	93.16	93.27
20-year National Gilt £50,000 32nds of 100%				
June	120–16	121–00	121–00	120–22

* Latest available figures

LONDON

Further rise despite distractions

DISTRACTIONS ABOUNDED on the London stock market yesterday, but prices still managed to recover recently lost ground, and the FT Ordinary index moved to its highest level for six weeks with a 9.9 gain to 1,350.0.

The £65m cash call from De La Rue, down £½ at £10¼, was taken in its stride while the fine weather and the Ascot meeting produced a midday lull. Wall Street's overnight recovery transferred some strength, but when New York opened easier yesterday, London profit-takers moved in from the wings.

Currency influences aided a broad range of stocks as did the return of some institutional buying support. The April improvement in UK industrial production was another solace.

Among actively traded issues Burmah Oil added 10p to 382p, Courtaulds was 11p ahead at 280p and Johnson Matthey was 17p higher at 205p.

Gilts made a half-hearted early attempt to rally from low levels, but the momentum was soon lost.

Chief price changes, Page 43; Details, Page 42; Share information service, Pages 40–41

HONG KONG

UTILITIES led the decline in Hong Kong as profit-takers triggered a swift technical downturn.

Declines of 20 cents each were recorded by China Light & Power at HK$16.10, Hongkong & China Gas at HK$15.80 and Hongkong Telephone at HK$11.80. Hongkong Electric resisted some of the pressure and finished the session 5 cents down at HK$8.90.

HK-TVB, operator of one of the colony's two commercial television stations, picked up 10 cents to HK$7.20 on reports that it might merge with or take over Shaw Brothers, a film and entertainment group run by the same family that controls HK-TVB. Shaw Brothers also added 10 cents to HK$2.45.

Banks, mixed on Wednesday, turned lower, with Bank of East Asia down 30 cents to HK$18.20, Hang Seng off 25 cents to HK$35 and Hongkong & Shanghai Banking 5 cents cheaper at HK$6.80.

AUSTRALIA

A COMBINATION of domestic bargain-hunting, strong overseas buying and a weaker Australian dollar boosted Sydney shares for the second day, and the All Ordinaries index firmed 10.3 to 1,210.7.

A moderately bullish forecast on the Australian economy by Salomon Brothers earlier in the week still stoked up some enthusiasm. Foreign interest centred on media, bank and financial stocks. Small gold producers were also favoured.

News Corp was one of the star performers with its A$1.10 jump to A$20.60 although Herald & Weekly Times dipped 10 cents to A$6.10, with Fairfax unchanged at A$6.20.

CANADA

WEAKNESS among industrial and base metal and mining stocks dragged Toronto to lower. Oils moved against the trend.

Canadian Pacific fell C$⅛ to C$17 while Noma Industries A traded C$⅛ down to C$15¼. Macmillan Bloedel firmed C$⅛ to C$39¼, and Dominion Textile advanced C$⅛ to C$22.

Texaco Canada firmed C$⅜ to C$26⅝ while Shell Canada at C$23 was C$⅛ higher.

Banks were one of the few strong features in an easier Montreal. Utilities and industrials lost the most ground.

SOUTH AFRICA

A LACK of direction was evident in Johannesburg, and prices closed mixed in subdued trading.

Vaal Reefs, strong on Wednesday, ran straight into a wall of profit-takers which left the gold mining group R2 down at R236. St Helena managed a R2 advance to R47.

Among other mines diamond group De Beers retreated 25 cents to R27.50 while platinum producers Impala and Rustenburg firmed 25 cents each to R34.75 and R36.25.

EUROPE

Summer lull begins to take toll

SUMMER HOLIDAYS are beginning to take their toll in Europe, and investors appear distracted by the warmer weather and vacation brochures.

Buyers in Belgium and Switzerland were the only active participants on the continent where most bourses ended mixed to lower.

Frankfurt continued lower for the second consecutive session under the influence of profit-takers. The onset of the summer lull, combined with interest-rate uncertainty and concern over Mexican debt problems, left the Commerzbank index off 28.7 at 2,001.9.

Banks suffered from worries over the latter, evidenced by the DM 20 drop in Bayerische Vereinsbank to DM 545. Deutsche gave up DM 18.50 to DM 790.50, Dresdner DM 14 to DM 419.50 and Commerzbank DM 6.20 to DM 315.

Cars and chemicals continued to register falls. Daimler ended at DM 1,382 after declining DM 30, VW lost DM 8.10 to DM 554.90 and BMW edged DM 1 lower to DM 603.

Schering, which reported lower turnover due to the softer dollar, lost DM 10 to DM 588 while Bayer eased DM 12.60 to DM 315.20. Bayer – due to go ex-dividend today – expects to maintain a profit in 1986, despite US currency movements, and looks forward to higher US sales in 1986.

Preussag, steady at DM 201.50, plans almost to halve the number of jobs at its lead and zinc concentrate mines in Bad Grund as a result of low commodity prices.

Stores issues generally swam against the tide as Karstadt announced a strong recovery in 1985 and higher profits for the first five months of 1986. It rose DM 5 to DM 354 while Horten added DM 1 to DM 190. Kaufhof lost DM 1.20 to DM 463, however.

Electrical Siemens, which provides equipment for the South African post office, continued to edge lower, ending down DM 12.70 at DM 640, bringing its fall so far this week to DM 20 and wiping out its DM 17 rise on Monday.

In the bond market prices drifted as much as 60 basis points lower, unaffected by the expected news that the Bundesbank had left its credit policies unchanged.

The Bundesbank stepped in to support prices and bought a sizable DM 85.7m worth of domestic paper after selling DM 59.3m in the previous session.

Brussels continued to strengthen, pushing the Brussels Stock Exchange index up 48.56 to 3,594.89, its highest level in the past two weeks.

Utilities were the major gainers. Intercom surged BFr 175 to BFr 3,600, Ebes jumped BFr 120 to BFr 4,470 and Electrobel gained BFr 475 to BFr 15,100.

As investors sought shares in an ACEC subsidiary due to be listed on Monday, the electrical engineer advanced BFr 56 to BFr 1,304 ex-dividend.

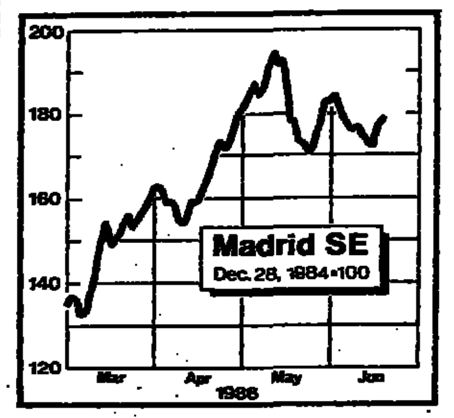
In other corporate news Fabrique Nationale Herstal, the armaments to sports goods group, said it had been left with unpaid bills worth BFr 3.8bn after its workers joined strikes in May protesting against government austerity plans. The company, which plans to increase overtime and Saturday working to deal with the problem, added BFr 40 to BFr 2,290.

Zurich again recorded a higher session with foreign activity boosting prices of bearer issues. Registered stocks saw only selective demand.

Union Bank rose SFr 125 to SFr 5,725, and insurer Winterthur added SFr 200 to SFr 6,000 while Ciba-Geigy bearer shed SFr 50 to SFr 3,850.

Bonds ended mixed with a slightly lower bias among foreign issues.

Madrid firmed as foods led other sectors higher. Telefonica advanced 1.30 percentage points to 199 per cent of nominal value ex-rights, Dragados rose 12.50 points to 348.50 per cent and Banco Santander added 10 points to 647 per cent.



Paris failed to be enlivened by news of a rise in French industrial production and a cut in the call money rate.

Today's settlement date weighed on trading and stores, construction, electrical and oil groups turned lower.

Valéo dropped FFr 19 to FFr 500. Its Italian subsidiary has issued a prospectus for the sale of shares before it is listed on Italian stock markets. Damart lost FFr 50 to FFr 1,850, and Michelin declined FFr 28 to FFr 2,602.

Amsterdam ended mixed after a quiet session as interest-rate uncertainty was exacerbated by a higher-than-expected price on a new Dutch state loan.

KLM, which announced a Fl 312m net profit for 1985, rose 30 cents to Fl 49.20 while Amro slid a similar amount to Fl 106.70.

Fokker continued to gain on expectations that a Fl 5bn aircraft deal will be signed shortly. It rose Fl 2.80 to Fl 97.80.

Milan was lower after profit-taking, and **Stockholm** ended mostly steady while **Oslo** was pulled higher by interest in industrial and shipping groups.

SINGAPORE

SPORADIC profit-taking failed to deter Singapore from gaining further ground yesterday, and the Straits Times industrial index added 6.32 at 753.00.

Central Provident Fund investors were active again with large purchases of trustee stocks on reports that forward contract problems of local stockbroking firms had been halved.

Domestic and foreign institutional buying surfaced also among blue-chip and other quality stocks.

Singapore Airlines was most active and added 25 cents to S$7 on volume of 2.06m shares, compared with total session turnover of 35.7m.

Van der Horst was unchanged at 69 cents in heavy turnover while Haw Par, also active, firmed 6 cents to S$2.96.

TOKYO

Late rally produces fresh peak

LATE ACTIVE buying of large capital and domestic demand-linked stocks took the Nikkei stock average to another all-time high in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

Large-capital steels, shipbuildings and chemicals remained popular in volume, and properties were sought. Conversely, blue chips remained out of favour.

The key market barometer added 100.52 to a peak of 17,277.59, exceeding its record of four days ago. Trading volume swelled from 900m to 1.15bn shares. Advances led declines by 494 to 400, with 112 issues unchanged.

Buying interest focused on rapidly rising issues while dull stocks were ignored.

The volume of low-priced steels, shipbuildings and chemicals expanded further, mainly because institutional investors poured in money for quick profits.

Nippon Kokan headed the active list with 115.81m shares changing hands and added Y7 to Y179 after falling intermittently to Y171. Ishikawajima-Harima Heavy Industries was the second-busiest with 91.30m shares and climbed Y19 to Y276.

Among chemicals Mitsui Toatsu gained Y12 to Y349 and Sumitomo Y11 to Y410.

Tokyo Gas, third-busiest with 62.68m shares, climbed Y12 to Y472.

Properties were also popular, bolstered by the strong performance of Mitsui Real Estate Development, which firmed Y90 to Y1,890 on the ninth-largest volume of 24.18m shares. Mitsubishi Estate jumped Y130 to Y2,130 and Sumitomo Realty and Development Y70 to Y1,600. Mitsubishi Warehouse firmed Y80 to Y1,370.

Cement makers remained in the spotlight, with Ube Industries adding Y4 to Y305 and Onoda Cement Y24 to Y520. Nihon Cement shed Y2 to Y633.

Small-capital cash-traded issues continued to draw day-to-day deals. Sanden Corporation strengthened Y67 to Y715 and Akai Electric Y15 to Y607. By contrast, high-priced stocks fell, with Japan Air Lines falling Y110 to Y10,790 and Kokusai Denshin Denwa (KDD) Y610 to Y30,600.

Among blue chips Matsushita Electric Industrial weakened Y10 to Y1,480 and Hitachi Y17 to Y846.

Bonds continued to slide, despite reports of a downward revision of the US first-quarter GNP. The dominant view was that another co-ordinated interest-rate cut by Japan and the US had already been discounted.

The yield on the barometer 6.2 per cent government bond due in July 1995 went up slightly from 4.685 to 4.695 per cent. The yield on the 5.1 per cent issue maturing in March 1996 rose sharply from 5.110 to 5.150 per cent.

Banks and securities companies are concerned that the coupon rate on July government bonds may be reduced if the yield on the 5.1 per cent issue falls substantially. Meanwhile, a major trust bank halted the heavy selling which had been oberved on Tuesday and Wednesday.